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BY

PAUL H. DOUGLAS
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EDITOR'S PREFACE

Collegiate training for business administration is now so widely attempted that the time has arrived when experiments should be conducted looking toward the organization of the business curriculum into a coherent whole. Training in scattered "business subjects" was defensible enough in the earlier days of collegiate business training, but such a method cannot be permanent. It must yield to a more comprehensive organization.

There can be no doubt that many experiments will be conducted looking toward this goal; they are, indeed, already under way. This series, "Materials for the Study of Business," marks one stage in such an experiment in the School of Commerce and Administration of the University of Chicago.

It is appropriate that the hypotheses on which this experiment is being conducted be set forth. In general terms the reasoning back of the experiment runs as follows: The business executive administers his business under conditions imposed by his environment, both physical and social. The student should accordingly have an understanding of the physical environment. This justifies attention to the earth sciences. He should also have an understanding of the social environment and must accordingly give attention to civics, law, economics, social psychology, and other branches of the social sciences. His knowledge of environment should not be too abstract in character. It should be given practical content, and should be closely related to his knowledge of the internal problems of management. This may be accomplished through a range of courses dealing with business administration wherein the student may become acquainted with such matters as the measuring aids of control, the communicating aids of control, organization policies and methods; the manager's relation to production, to labor, to finance, to technology, to risk-bearing, to the market, to social control, etc. Business is, after all, a pecuniarily organized scheme of gratifying human wants, and, properly understood, falls little short of being as broad, as inclusive, as life itself in its motives, aspirations, and social obligations. It falls little short of being as broad as all science in its technique. Training for the task of the business administrator must have breadth and depth comparable with those of the task.

BASIC ELEMENTS OF THE BUSINESS CURRICULUM

CONTROL
1. Communicating aids of control, for example
   a) English
   b) Foreign language
2. Measuring aids of control, for example
   a) Mathematics
   b) Statistics and accounting
3. Standards and practices of control
   a) Psychology
   b) Organization policies and methods

Of problems of adjustment to physical environment
- a) The earth sciences
- b) The manager's relationship to these

Of problems of technology
- a) Physics through mechanics, basic, and other sciences as appropriate
- b) The manager's administration of production

Of problems of finance
- a) The financial organization of society
- b) The manager's administration of finance

Of problems connected with the market
- a) Market functions and market structure
- b) The manager's administration of marketing (including purchasing and traffic)

Of problems of risk and risk-bearing
- a) The risk aspects of modern industrial society
- b) The manager's administration of risk-bearing

Of problems of personnel
- a) The position of the worker in modern industrial society
- b) The manager's administration of personnel

Of problems of adjustment to social environment
- a) The historical background
- b) The socio-economic institutional life
- c) Business law and government

Stating the matter in another way, the modern business administrator is essentially a solver of business problems—problems of business policy, of organization, and of operation. These problems, great in number and broad in scope, divide themselves into certain type groups, and in each type group there are certain classes of obstacles to be overcome, as well as certain aids, or materials of solution.

If these problems are arranged (1) to show the significance of the organizing and administrative, or control, activities of the modern responsible manager, and (2) to indicate appropriate fields of training, the diagram on the opposite page (which disregards much overlapping and interacting) results. It sets forth the present hypothesis of the School of Commerce and Administration concerning the basic elements of the business curriculum, covering both secondary school and collegiate work.

This present volume deals with the position of the worker in modern industrial society.

L. C. MARSHALL

AUTHORS' PREFACE

This book is the outgrowth of a three years' experiment in teaching courses in the field of industrial relations at the School of Commerce and Administration of the University of Chicago. It differs from the ordinary textbook on labor problems in two salient respects: first, it attempts to cover a wider scope by emphasizing both the psychological and the underlying industrial aspects of the modern situation, while knitting together the various problems into a more or less unified and organic whole; second, it is a book of readings, with selections from different sources, rather than a re-writing of them at second-hand. The selections finally included represent the winnowing of a truly considerable amount of material. As a result of continuous classroom experimentation and mutual criticism, we have discarded from three to four times the material here presented besides fundamentally modifying the scope and nature of the subjects treated.

It should not be thought, however, that the sequence of topics which we have followed need be slavishly copied by every instructor who uses the book. Thus chapter iv, "Glimpses of Other Types of Organization," might logically be discussed as illustrative material for the psychological analysis given in Part One. Again, the study of Part One itself might be postponed until after Part Two on the historical development of industry had been completed, or the student might be asked merely to read Part One thoroughly and then to interpret the issues raised later in the book from this as well as from other viewpoints. The sequence of chapters in Parts Three and Four may easily be modified to suit the convenience of the instructor or the needs of particular classes. By means of cross-references, an effort has been made to emphasize the interdependence of the whole subject and to make possible a flexible assignment of material. To provide yet further for flexibility, as well as to stimulate outside reading, a few selected references for further reading have been placed at the end of virtually every chapter. Finally, by means of a series of problems attached to every chapter, we have attempted to raise issues which will compel the student to think carefully over the material he has read. The instructor may well require these problems to be read in advance of each chapter.

We have sought to guard against the two chief dangers which the use of such a book of readings may present. The first and more important is that the student may come to be satisfied merely with it and neglect the original sources. We hope that the selections we have given from such writers as the Webbs, Commons, Hoxie, and other authorities may stimulate the student to seek further acquaintance with them. The instructor should promote this by the assignment of term or other periodical reports which will demand extensive outside reading. The second defect we have sought to overcome is that of undue choppiness of content, and to that end we have grouped our material into seven main parts and have sought to integrate the selections within each part. Our purpose has been to furnish a basis for examining the whole modern economic scheme from certain special points of view rather than to present a series of labor "problems" as isolated aspects of that scheme.

The fundamental theory upon which the work has been constructed is that a student secures an infinitely more vivid and real understanding of the industrial problems of today, if he is placed in contact with the basic researches in the field of labor, and if upon controversial issues, the protagonists of the conflicting interests are allowed to speak for themselves, than if these are worked up and given to him in the usual textbook fashion. And if it be objected that the immature student is frequently confused by the citation of conflicting authorities, we can but reply that a neatly symmetrical and predigested set of materials is admirably adapted to perpetuating such a student in his immaturity. In the mental struggle which a student should go through in evaluating such different approaches to life as this book seeks to present, he will attain a greater maturity and vision. If such is indeed not the effect, it will have failed of its purpose.

We have profited greatly from the co-operation of our colleagues and of our friends. Dorothy W. Douglas assisted in gathering the material for, and giving final form to, Part Five, and in addition assisted in preparing the material for two other major parts of the book. Professor L. C. Marshall, Dean of the School of Commerce of the University of Chicago, has given his unfailing assistance and painstaking and effective criticism. Our colleague Professor H. A. Millis has been good enough, in addition to generous advice, to permit us to use some selections which he has used with his classes. Miss Penn Shelton has saved us many weary hours of labor by running

down sources and verifying references. Miss Elinor Pancoast assisted in compiling the tables at the end of chapter vi, and in finding material for certain sections of Part Three. The kindness of the authors and publishers in giving us permission to reprint their writings has, of course, alone permitted the production of this book and we wish to take this occasion to thank them. We are indebted to so many others for their criticism of certain portions of the manuscript that we cannot thank them all by name, but we are especially grateful to Professor Jacob Viner, Professor E. S. Robinson, Mr. A. W. Kornhauser, and Miss Mildred Janovsky, of the University of Chicago, Professor Paul F. Brissenden, of Columbia University, Professor Frank T. Carlton, of DePauw University, Professor John R. Commons, of the University of Wisconsin, Professor Theresa S. MacMahon, of the University of Washington, Professor A. B. Wolfe, of the University of Texas, and Mr. Carl Hookstadt, of the United States Bureau of Labor Statistics.

But while our friends by their help have made this a much better book than it otherwise could have been, we alone are responsible for its errors and its faults.

PAUL H. DOUGLAS
CURTICE N. HITCHCOCK
WILLARD E. ATKINS

JUNE 8, 1923

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PART ONE

HUMAN NATURE AND INDUSTRY

INTRODUCTION

This volume of readings is concerned in general with the study of the way in which men in modern times work together to gain a living, and more particularly with the part which the wage-earner plays in the process, the position which he occupies in the economic organization, and the significance of these facts to him, to other groups in the community, and to the community as a whole. It is to serve, that is, as a basis for studying *people* in their relation to the scheme of production in which they take part. Such a survey may properly begin with an effort to see, if only in a preliminary way, what kind of creature man is; where he came from; how he has developed; what controls his actions; what relationships there are between his attitudes, motives and ways of acting, and the environment, social and economic, in which he is placed.

It need not be discouraging to acknowledge at the outset that on none of these points will it be possible to get complete or final answers. To gain the most partial understanding of modern economic organization *some* assumptions about human nature are necessary. A little space may, therefore, be devoted to an examination of current assumptions of this kind with the object of comparing them with recent psychological and anthropological contributions to knowledge about man, and seeing what practical implications such knowledge has for purposes of understanding modern economic organization.

Men have always had, consciously or unconsciously, theories of human nature or personality—notions about why they and their fellows act as they do in the face of given situations. These notions have always necessarily underlain and influenced the policies and methods used in directing and controlling schemes of organization for producing the goods necessary for subsistence.

For example, hypotheses about human nature were implicit in the behavior of the early members of the race, in their economic and social life; hypotheses about human capacity, changeability, and the forces that governed action. From what the anthropologists tell us, we can, perhaps, conclude that these hypotheses were made up chiefly in an empirical way—simply as unconscious reactions from day-to-day personal contact. They were, however, deeply tinged with animistic

beliefs which explained the actions of people as well as of things by means of the supernatural control of mythical and unseen beings. Both economic technique and the part which people played in economic life were therefore largely predetermined by spirits, and could be influenced or changed only through the intervention of spirits. As to the practical consequences of this type of "theory" it is perhaps sufficient to point out here the difficulty of change under such conditions.

A similar relationship between men's ideas of human character and capacity, both potential and actual, and the ways in which economic activity is carried on could be traced through any civilization about which we have adequate knowledge. In the highly civilized Greek city-state, in which a cultured aristocracy was supported by a large body of slaves, we have Aristotle's authority for the notion that the people who did the manual work were *born* slaves, implying that men are predetermined "naturally" for the economic position they hold. The same caste notion, that people are born with the kind of character, capacity, and behavior which fits them for their own class, is to be found in medieval philosophy, supported there by the Divine Will, rather than by "nature." This kind of thinking was, of course, in large part simply an explanation and justification of what *was*, but it represented whatever thinking about human nature the times produced, and it had its reflex influence—a conservative one—on the economic scheme, on the way in which the division of labor was carried out and directed.

One more example from the past will suffice. The rationalism of the early nineteenth century broke away from many of the traditions of classical and medieval philosophy and produced the conception of the "economic man." Briefly, this person was "not the entire real man, as we know him in all the complexity of actual life, but an abstraction—a being, who, in the pursuit of wealth, moves along the lines of least resistance, and does not turn aside towards other ends . . . . whose activities are determined solely by the desire for wealth."[1] The key to his economic behavior was to be sought solely, therefore, in the relative amount of economic gain (pleasures and pains) which he could derive from his decisions. This hypothetical person—man in the market place—necessarily a highly rational being, acting according to intelligent self-interest, took his place at the center of the simplified system of perfect competition from which the classical

John Neville Keynes, *The Scope and Method of Political Economy*, pp. 113-15.

economist began his reasoning.[1] It is now clear that this initial assumption has had much indirect influence on our thinking and consequently on our economic policies. It underlay the individualistic (laissez faire) policies of the greater part of the nineteenth century. It lies hidden still in our ideas about the division of labor, the organization of production, remuneration for services, and our exchange system as a whole.

With the spread of the evolutionary view of things in the later part of the century, however, and the development of a separate science of psychology, this highly rational view of human nature has been subjected to severe criticism. However adequate a description it may be of man in an organized market (and even here it has distinct limitations) it is highly unreal as an explanation of man's conduct in his general business relationships. The psychologists, the anthropologists, and the ethnologists have been studying man critically. The psychologist, through observation and laboratory experiment, has been trying to work out "laws" which would explain why man acts as he does, both alone and in the society of his fellows. The other two groups, through historical research and observation of living primitive tribes, have been trying to trace his history down through the ages.

Among them, they bid fair to revolutionize our knowledge of man's mental behavior and development as thoroughly as modern medical science has revolutionized our knowledge of physiology. A beginning only has been made, and investigation has raised more questions than it has answered, but at least two hypotheses may be set out here as especially significant for our particular purposes.

The first is that man is not, as was once assumed, a purely rational being, and thereby set apart as distinct from the unreasoning and "instinctive" animals. He is himself an animal, mentally as well as physically, with all the original equipment of other animals, and if all the evidence were available a mental line of descent might be traced back from modern man to an animal ancestor. The difference

[1] This is not to be interpreted as meaning that the classical economists were unaware of the limitations of this picture of human nature. *The Wealth of Nations*, for example, furnishes ample evidence of its great author's realistic appreciation of the complexities of men's behavior. None the less, the simplification represented by the "economic man" became a vital assumption in the systems of thought which developed from Smith and Ricardo: an assumption which has perhaps not always been sufficiently examined or made allowance for by some of their successors.—Ed.

in "intelligence" between him and the other animals becomes largely a matter of degree, rather than of kind. The second hypothesis follows as a corollary from the first: namely, that "human nature" is not a fixed and predetermined thing, that it changes and is in some sense subject to conscious control. Such control may take the form either of controlling heredity or controlling environment. As to the truth of these two hypotheses, and in the case of the second, in what *sense* it may be true, the reader is referred to the selections of this chapter and to the references for further reading. To these and to the questions at the beginning of each main section he is also referred for hints as to the implications of the ideas just suggested with reference to the main thesis of this book—the worker and his part and place in modern economic activity.

The material of the part has been arranged as follows:

Chapter i, "Human Nature and Evolution," is designed to suggest why the modern community more than any earlier civilization seems to stand in need of better knowledge about man, and to present some views on the way in which both men and societies change and develop.

Chapter ii, "Some Important Aspects of Human Behavior," simply gives in succession a series of side-lights on man's mental make-up, several of them, notably *1b*, *2b*, and 4, discussing the trait in question with direct reference to its importance in economic activity.

Chapter iii, "Theories of Human Nature," is intended to draw together and focus some of the earlier material, and to suggest some possible uses of psychology as a tool in approaching the later material of the book.

CHAPTER I

HUMAN NATURE AND EVOLUTION

A. Introductory

1. THE GREAT SOCIETY[1]

During the last hundred years the external conditions of civilised life have been transformed by a series of inventions which have abolished the old limits to the creation of mechanical force, the carriage of men and goods, and communication by written and spoken words. One effect of this transformation is a general change of social scale. Men find themselves working and thinking and feeling in relation to an environment, which, both in its world-wide extension and its intimate connection with all sides of human existence, is without precedent in the history of the world.

In those countries where the transformation first began, a majority of the inhabitants already live either in huge commercial cities, or in closely populated industrial districts threaded by systems of mechanical traction and covering hundreds of square miles. Cities and districts are only parts of highly organised national states, each with fifty or a hundred million inhabitants; and these states are themselves every year drawn more effectively into a general system of international relationships.

Fifty years ago the practical men who were bringing their Great Society into existence thought, when they had time to think at all, that they were thereby offering an enormously better existence to the whole human race. Men were rational beings, and, having obtained limitless power over nature, would certainly use it for their own good.

The Great Society, even if it should deprive men of some of the romance and intimacy of life, must, they thought, at least give them such an increase of security as would be far more than an equal return. Famine would be impossible when any labourer could buy flour and bacon from the world-market in his village shop. Wars would be few and short if they meant disaster to an international system of credit.

[1] Adapted with permission from Graham Wallas, *The Great Society*, pp. 1–15. (The Macmillan Co., 1914.)

Now, however, that the change has come, hardly anyone thinks of it with the old undoubting enthusiasm. Actual famine has, it is true, disappeared from the Great Society,[1] but there remains the constant possibility of general and uncontrollable depressions of trade. The intervals between great wars are apparently becoming longer, but never has the expenditure on armaments been so great or the fear of war so constant.

Wars, however, and commercial crises may be thought of as merely accidental interruptions to a social development which steadily advances in spite of them. The deeper anxiety of our time arises from a doubt, more or less clearly realised, whether that development is itself proceeding on right lines.

And we find ourselves sometimes doubting, not only as to the future happiness of individuals in the Great Society, but as to the permanence of the Great Society itself. Why should we expect a social organisation to endure, which has been formed in a moment of time by human beings, whose bodies and minds are the result of age-long selection under far different conditions?

Social organisation on a large scale is not a wholly new thing. For certain restricted purposes—chiefly the levying of taxes and the gathering of armies—the empires of Assyria, Persia, and Rome organised men on a scale not less than that of a modern state. Yet the systems which created these powerful cohesive forces created at the same time disruptive forces which proved even more powerful. As the ancient empires became larger they became too distant and too unreal to stimulate the affection or pride of their subjects. The methods of their agents became more mechanical and inhuman, and the passions which grouped themselves round smaller units, local or racial or religious, produced an ever increasing inner strain.

Are there any signs of such an inner strain resulting from the size and impersonal power of the Great Society? Has the invention of representative government, as its advocates used to argue, prevented the forces of class or race or religion or self from ever again thrusting against the larger cohesion of the state? No one who tries to interpret the obscure feelings of half-articulate men and women will say so. France is a representative republic, and that republic is supported by a stronger feeling of political solidarity than is to be found in any other European nation. But who can be sure that the forces represented by the "sabotage" of the French railway servants or the

[1] This was published in 1914.

turbulence of the vine-growers are declining? In America the racial and class feeling of the new immigrants shows itself unexpectedly resistant to the dissolving force of national consciousness. In England the "particularism" of trades and professions and the racial feeling of Wales or Ulster, of Scotland or Catholic Ireland, seem to be growing stronger and not weaker.

The "cash nexus" has, no more than the "voting nexus," secured that common membership of the Great Society shall mean a common interest in its solidarity. Everywhere the preachers of syndicalism and "direct action," the editors of clericalist newspapers, the owners of "predatory wealth," claim to represent the real and growing social forces as against the phrase-makers, the undenominationalists, the bloodless traitors to class or church, who stand for the community as a whole.

The human material of our social machinery will continue to disintegrate just at the points where strength is most urgently required. Men whom we are compelled to trust will continue to prefer the smaller to the larger good. The director will sacrifice the interest of his shareholders to his own or that of his family, the statesman will sacrifice his country to his party or his constituency or his church, the Concert of Europe will remain helpless because each of its constituent nations refuses to work for the good of the whole. And the results of a system which we are not strong enough either to remodel or to control will continue to be seen in the slum and the sweating shop, the barracks and the base hospital. Our philosophers are toiling to refashion for the purposes of social life the systems which used so confidently to offer guidance for individual conduct. Our poets and playwrights and novelists are revolutionising their art in the attempt to bring the essential facts of the Great Society within its range.

All these efforts run counter to the intellectual habits in which our generation was brought up. On its intellectual side the Great Society was the work of specialists. During its formation we and our fathers learned to admire, without a trace of that scorn which Jesus ben Sirach caught from his Greek masters, the leaders of specialised science—the chemists who are "wakeful to make clean the furnace," and the biologists "whose discourse is of the stock of bulls." Each of them became "wise in his own work." We are forced, however, now to recognise that a society whose intellectual direction consists only of unrelated specialisms must drift, and that we dare not drift any longer. We stand, as the Greek thinkers stood, in a new world.

And because that world is new, we feel that neither the sectional observations of the special student, nor the ever accumulating records of the past, nor the narrow experience of the practical man can suffice us. We must let our minds play freely over all the conditions of life till we can either justify our civilisation or change it.

2. THE ECONOMIST'S CONCERN WITH HUMAN NATURE[1]

[NOTE.—This selection is given not so much for the theory of human nature which it presents as for its suggestions as to our present interest in human nature. The psychological theory indicated should be read critically and compared with the material of later selections. —ED.]

One criticism brought against conscious economic theory is that it fails to take advised and realistic account of human nature. The psychologists have already pretty well revolutionized the scientific definition of human nature. Instead of a firm and clear-headed control of our actions, we seem to have only the controls emergent from the group of complicated psycho-physical mechanisms sometimes called the instincts; at once the power plants of action and the determiners of its direction. The part of reason in this whole process is much less important than the old common-sense view supposed. It seems to be merely a selective part. We do not act in response to reason; we only, through reasoning, decide upon the repression of certain undesirable modes of action and thus clear the way for acceptable responses, which, we perceive, will yield us in the long run the satisfactions we are driven to seek—those of instinct gratification—and the added satisfactions of social approval as well. (Here our "higher audience" is a determining factor.) These desirable responses are not originally referable to reason and reflection; responses are *caused* by the innate impulses, the instincts.

Man is equipped with the psychical and physical make-up of his first human ancestors; he is the sort of being who functions best in the exhilarations and the fatigues of the hunt, of primitive warfare, and in the precarious life of nomadism. He rose superbly to the crises of these existences. Strangely and suddenly he now finds himself transported into a different milieu, keeping, however, as he

[1] Adapted with permission from Rexford G. Tugwell, "Human Nature in Economic Theory," *Journal of Political Economy*, XXX (June 1922), 317–45.

must, the equipment for the old life, largely useless now. He must function as best he can under the new strains and pressures; but the happy accordances are few and the disparities many. Fortunately his power of reflecting has enabled him to persist under the new conditions by modifying his responses to stimuli. Life on the instinctive level is unthinkable in a culture having as its most important features urbanization, depersonalization of human contacts, diversity of tasks, restrictions on freedom and solitude, monotonies, fatigues, and incomplete expressions. And so reason plays its part; but the rôle is not the one assigned under the hedonist conception. Reflection is a modifier, an adjuster, not an originator of conduct. So pervasive is its influence, however, that our whole modern civilization takes on its color; and the higher levels of human achievement appear as a triumph of its expression. And man comes to function in his new life through habit patterns which may be re-formed by reflection. In this way he attains at least a partial mastery of his conduct.

For the economist who seriously intends to treat production as something more dignified than as a source of supply for the market, a field of theory entitled to separate endeavor and understanding, the questions of human nature will be found to be the most difficult and the most immediate. Production is a human enterprise, carried on in part at least for the sake of the ultimate human satisfactions to be gained by using the goods and services produced. Some production is carried on for the sake of the work itself; but in the producing efforts of our modern factories (and it is no matter for self-congratulation) very few of the resulting goods embody the joy of effort. More of them, if they revealed upon their surfaces their human costs, would be tinged by the hollow shadows of fatigue and colored by the unnatural stains of forced labor.

The most superficial treatment of the elements of production must face again and again such difficulties as the method of payment for work, the means of maintaining discipline, and the effects of the increasing specialization of process. And there are other questions having to do with the determination of the technique of production. Not only must the technical arrangements of factory, warehouse, and counting-room be adapted to the nature of the material to be shaped and finished; but also the place of work and the way of working somehow must be molded more successfully about the producers. More expressions and fewer frustrations are the demands of human nature that must be met in the working life.

The motives of men as they go about their economic affairs are important for economists to understand whenever there arises a question of *why* it is human conduct follows a given line. It may be that all these *why* questions are irrelevant; but it would be less difficult to adhere to this belief if economists had not made such wholesale assumptions concerning these very motives. It is assumed that workers labor for wages alone, that landlords and capitalists permit the use of their instruments of production for rent or for interest and for no other reason, and that management in industry persists only because of the stimulus of profit.

But if there is any truth whatever in the behaviorist generalization that conduct is infinitely more complex than this would imply, the assumption underlying this theory of distributive forces is a mistaken one. Men in their economic lives have all the complex motives they are actuated by in any of their other spheres of activity. It is a false simplification to attempt the reduction of the number of human motives to rent, wages, interest, and profits.

It is certainly true that we cannot know what it is that we want for humanity from industry without knowing what the nature of humanity is that is to be affected. To attempt to direct the economic system toward human welfare without understanding human nature would be quite as futile as the attempt to cure disease without a preliminary study of physiology, or to do—what no skilled worker will defend—work in any material without an intimate understanding of its composition, its workability, and its amenability to different modes of manipulation. The consequences of programs for the redirection of industry are certain to be profoundly serious for humanity. The economist's obligation to understand the substance and workability of the endowments and capacities of men is correspondingly heavy. His study of the producer and the consumer cannot be confined to their transient appearances in the spot-light of the market place.

3. WHAT A STUDY OF HUMAN BEHAVIOR INVOLVES[1]

Long before the dawn of modern scientific psychology society found that by roundabout hit-and-miss methods she had secured a fairly serviceable body of data as to what man can do—his complement of acts; the appropriate situation for calling out any given act; and

[1] Adapted with permission from J. B. Watson, *Psychology from the Standpoint of a Behaviorist*, pp. 3–13. (J. B. Lippincott Co., Philadelphia and London; 1919.)

crude training methods whereby the repertoire of the acts themselves might be enlarged. The business man, the artist, and the artisan have built for themselves rather definite rules of psychological procedure, without ever calling it psychology. Our great military leaders, our great religious leaders, the demagogues, and the politicians, have accomplished their results by their very wide acquaintanceship with the reaction tendencies in man, and by their happy accidents in creating the situations which will call out such reactions.

By reason of the fact that occasional success has been obtained by crude methods and happy accidents, we must not conclude that psychology should not attempt to discover and analyze and bring under scientific control the factors which have occasionally made such successes possible. Because an occasional business leader has known how to pick out and keep good men, we are offered no reason why we should not seek to understand and control the processes involved in picking and keeping good men. The same may be said of the factors in keeping men out of crime, keeping them honest and sane, and their ethical and social life upon a high and well-regulated plane.

This should convince us of two things: first, that common sense, while a reasonable method so far as it goes, does not go far enough and never can; and secondly, that in order to make progress, the phenomena of human behavior must be made an object of scientific study. As a science, psychology puts before herself the task of unraveling the complex factors involved in the development of human behavior from infancy to old age, and of finding the laws for the regulation of behavior. What we seek to have psychology busy herself with is the matter of *environmental adjustment;* what man can do apart from his training; what he can be trained to do, and what the best methods for training are; and finally, how, when the varied systems of instincts and habits have sufficiently developed, we can arrange the conditions for calling out appropriate action upon demand.

We shall see that there are common factors running through all forms of human acts. In each adjustment there is always both a *response or act* and a *stimulus or situation* which calls out that response. Without going too far beyond our facts, it seems possible to say that the stimulus is always provided by the environment, external to the body, or by the movements of man's own muscles and the secretions of his glands; finally that the responses always follow relatively immediately upon the presentation or incidence of the stimulus. These are really assumptions, but they seem to be basal ones for psychology.

If we provisionally accept them we may say that the goal of psychological study is the ascertaining of such data and laws that, given the stimulus, psychology can predict what the response will be; or on the other hand, given the response, it can specify the nature of the effective stimulus.

Psychology is not concerned with the goodness or badness of acts, or with their successfulness, as judged by occupational or moral standards. We study man for his reaction possibilities and without prejudice: the discovery of the fact that he will make only abortive attempts to meet and control certain aspects of his environment is an important part of our task; just as important as being able to state that he can make certain other types of adjustment.

"Successful" adjustments, "good" acts, "bad" acts, are really terms which society uses. Every social age sets up certain standards of action, but these standards change from cultural epoch to cultural epoch. Hence they are not psychological standards. Reaction possibilities, however, on the average probably remain about the same from eon to eon. It lies well within the bounds of probability that if we were able to obtain a new-born baby belonging to the dynasty of the Pharaohs, and were to bring him up along with other lads from Boston, he would develop into the same kind of college youth that we find among the other Harvard students. His chances for success in life would probably not be at all different from those of his classmates. The results obtained from the scientific analysis of reaction in the human being should fit any cultural age. The fact that social values (group *mores*)[1] change puts ever new burdens upon the psychologist, because every change in the *mores* means a different situation, to which man has to respond by a different combination of acts, and any new set of acts must be incorporated into and integrated with the rest of the action systems of the individual.

B. Glimpses of Social Change

4. THE MEANING OF HUMAN EVOLUTION[2]

There is no doubt that man has existed on the earth for at least 500,000 years. The relics of his body and the results of his handiwork have been found in such number and under such conditions as to

[1] For a fuller definition of the "mores" see pp. 29-30.

[2] Adapted with permission from Vernon Kellogg, "Matilda and the Chimpanzee," *New Republic*, XXXII, No. 415 (November 15, 1922), 301–2.

indicate his continuous presence on the earth since earliest Pleistocene time, more likely, indeed, since late or even middle Pliocene time. But also there is no doubt that in these earlier days he was a man of appreciably different structure and behavior from man of today. Especially did he differ from us of today in head characters and, most significantly, in brain size and, evidently, brain character. But through those scores and even hundreds of thousands of years, which we group as his Paleolithic days, man was moving ever, although slowly, very slowly, upward in his evolution—chiefly, probably, owing to the influence of those biologic factors to which we attribute all of the evolution of the lower animals and the plants. It was a slow, painful evolution manifested mostly, and certainly most importantly, by an evolution of brain, an increase in brain size and a development of its associative function.

But by the time he emerged from the Paleolithic age into the brighter light of Neolithic and earliest metal ages, he had reached practically the stage of biological evolution in which we find him today. The brain of Cro-Magnon man, who lived in Europe at least 30,000, and perhaps 50,000, years ago, was quite as large as that of man today, and, as far as can be told from the preserved bony brain case, had the same shape and general character as the human brain of today.

A question very often asked of biologists and anthropologists is, Has man increased in physical or mental capacity since the days of the classic Greeks and Romans or even since the days of the early Egyptians and Mesopotamians and Cretans? And the implication of the questions, and of the reproachful and scoffing attitude of the questioners, is that he has not. The questioners call attention to the artistic and literary achievements, the philosophic systems, the men of great mental capacity as revealed by their accomplishments in war and statecraft, all admittedly characteristic of human life in the earliest historic times, some five or six thousand years ago or longer. They call attention to these facts as proof of the equality of human physical, mental and spiritual capacity in those days with that of today.

These questioners might well go further and ask the biologist and anthropologist if they have any reason to believe that man has shown any obvious biological evolution since those prehistoric days of the metal ages and Neolithic times, ten, thirty, perhaps fifty thousands years ago. The answer is, I think, No. Then in what is man of today different from man of those days? The answer is,

I think, in that part of his development and possessions due to a new and powerful element of progress which entered at some time in late Paleolithic days into human evolution, an element which added itself to slow biological evolution, an element peculiar to human evolution, which we may call social evolution. This kind of evolution could not begin until man, through the development of brain, had attained by biological evolution a capacity to acquire much knowledge, and, by registering it through speech and writing, to pass it on by social inheritance to succeeding generations. This storing up and passing on of knowledge is the basis of social evolution, and social evolution became and is the basis for a rapid progress in human capacity for doing. It is the basis on which has depended man's change from his status in late Paleolithic days to his present status.

Now social evolution can be controlled, and it is in fact so controlled and determined, largely by man himself. His future change or progress is in his own hands. Mutual aid is a recognized and powerful biological factor in evolution. The biological success of the social insects, the ants and social bees and wasps, has depended much on their adoption of the mutual aid principle. And in man's biological success mutual aid or altruism has played a dominant part. It has its little disadvantages in the keeping alive and reproduction of hopelessly unfit individuals, but its advantages largely outweigh its disadvantages.

Almost everything that we can conceive of as what we should like to see in the progress of human kind can be put into man's progress by a proper control of social evolution. By such a determination of social evolution, which is now the major factor in all human evolution, man can climb to the highest possible heights of humanism. Thus, instead of being robbed by evolution of personal responsibility and of hope of steady social betterment, man is by this very evolution given more and more personal responsibility for his own fate and that of the race, and has not only hope but assurance given him that by wise and beneficent use of his knowledge he can lift himself and his race to an ever higher plane.

5. HOW CIVILIZATION CHANGES[1]

It is characteristic of civilization that it persists; a large part of it, most of it, in fact, is passed on from generation to generation.

[1] Adapted with permission from Alexander A. Goldenweiser, *Early Civilization*, pp. 15–19. (Alfred A. Knopf, 1922.)

But also, it changes; at no two points in time is it quite the same, and the differences in the civilization of two succeeding generations are often perceptible and at times striking.

It takes but little thought to realize that the changes in civilization are each and all due to the emergence of new things, inventions, ideas, which, in the last analysis, are always emanations of the minds of individuals. Whether the change is in a mechanical device, or a detail of social organization; in a new scientific idea or ethical value; in a method of simplifying or improving economic production or distribution; in a new play, or a novel form of stage art; in an article of use, comfort or luxury, a new word, a witticism, a proverb—all of these things originate in individual minds and there is no other place where they can originate. Nor is this generalization in the least affected by whatever view one may hold as to the relative importance of the individual and society in the production of civilization. Even though the individual were wholly determined by the social setting, all of the civilizational changes just referred to, including those in material things, would remain psychological in their derivation and, as such, they could only originate in individual minds, for there are no other minds but those of individuals. Thus the whole of civilization, if followed backward step by step, would ultimately be found resolvable, without residue, into bits of ideas in the minds of individuals.

But civilization also persists and accumulates. Some elements carry over from generation to generation through the sheer objective continuity of material existence. Most of the paraphernalia of our complicated mechanical equipment, the roads, vehicles and houses, the books in our libraries, the specimens in the museums, persist in as crass and material a way as does man's physical environment. The institutions, those crystallized depositories of attitudes, ideas and actions, persist in a less objectified form, for they are only in part represented by material or mechanical arrangements, such as fixed organizations, recorded codes and archives, in whose prolonged existence the change of generations appears as but an incident. But there is still another and more important mechanism through which civilization is passed on from fathers to sons. This mechanism, more dynamic and plastic than the others, is education. Through education, in the home, at school, the past molds the present and sets a pattern for the future.

Here it is important to remember that civilization, psychological and individual though it may be when resolved into a chronological

series, is not at all the outgrowth of the minds of individuals of any particular generation. On the contrary. It comes to them from without, it molds them, it forces itself upon them through the material persistence of its objective elements, through its codes and institutions, and through the deep cutting tools of education. A large part of the educational process strikes the mind of the individual during the years of highest receptivity and plasticity. Without accepting the extreme verdict of psychoanalysis on this matter, it suffices to realize that what is deposited in the mind during the early years of childhood, persists throughout later life with often but slight modification.

Not only is man at the mercy of civilization, but he generally remains either partly or wholly unaware of what he is thus forced to accept.

It appears from the above that the individual and the group have their share both in the persistence and the originality of civilization. The individual is responsible for the creation of the new, society provides it with a background and the occasion. For the new is never more than a slight ripple on the deep foundation of the old and established. The conservative deadweight of society opposes the new, but should it appear, molds it to its pattern by prescribing the direction it is to take as well as by limiting the range of its departure from the old. This is more clearly seen in inventions and artistic creations. The talent of an Edison is a congenital gift. Even though born in early prehistory, he would have been Edison, but could not have invented the incandescent lamp. Instead, he might have originated one of the early methods of making fire. Raphael, if brought to life in a Bushman family, would have drawn curiously realistic cattle on the walls of caves as well as steatopygous Bushman women. Had Beethoven been a Chinaman, he would have composed some of those delightfully cacophonous melodics which the seeker for the quaint and unusual pretends to enjoy in a Chinatown.

6. THE INFLUENCE OF TOOLS ON MAN'S DEVELOPMENT[1]

Man was the first animal to grow a limb outside of himself by making tools out of wood and stone. This was a great achievement. Once made and the principle grasped, however dimly, the external limb is capable of an infinity of modification, self-suggested by its

[1] Adapted with permission from O. G. S. Crawford, *Man and His Past* (Oxford University Press, 1921).

very inadequacy as a tool. There is no time for automatism to set in before the possibility of fresh uses occurs, prompted sometimes accidentally by the tool itself. Again, each individual has consciously to make the tool for himself, and although this might become almost automatic after a time, complete automatism would be avoided by the desire to effect small, useful improvements, *and the ease and rapidity with which these could be produced.*

The external limb, then—the first eolith—comes between man and his environment like a highly resistant substance in an electric circuit. So long as it is there the current of automatism cannot flow freely; from the resultant friction shines out intelligence; and the greater the friction the brighter the light. The power of intelligence grows with use, for it is quick to take a hint from its teacher, the tool. The tool is improved, fresh demands are made upon intelligence to use the new tool aright, and so the process is continued, each in turn helping the other. Each step in advance was a small one, hardly won perhaps; but each step makes the next more easy.

The invention of extra-corporeal limbs put a stop to progressive structural [body] modifications, for thenceforth such modifications took place *outside* the organism instead of within it as before.

We can now see why it is that the oldest crania of prehistoric man are so remarkably modern in their appearance. The specific human type from which we are descended was fixed once and for all at that time when the survival-value passed from man's bodily structure to his tools or extra-corporeal limbs. After that a change in the environment evoked but little response in man's body; instead, it stimulated his brain to invent new "tools" to counteract it.

This has preserved man's body in its primitive, plastic, unspecialised form, so that all the avenues of sense remain open. Each of the five pathways to the brain remain unobstructed and unblunted by special contrivances. That is because our primitive ancestor wisely refrained from rushing headlong into blind alleys, like his cousins the other protomammals. "Some . . . . became fleet of foot and developed limbs specially adapted to enhance their powers of rapid movement." Thus the ancestor of the horse, for example, sacrificed his five toes (which might have become fingers) and grew horny hoofs instead, thereby forfeiting for speed his chances of developing sensibility of touch.

Throughout the Tertiary Period our far-sighted ancestor "lay low and said nuffin," biding his time like Br'er Rabbit. He did not, like

so many, spoil his chances by giving way to fear on every possible occasion, he did not run away from danger on principle, and so have to adapt his limbs for swift flight; nor yet did he yield to the temptation to clothe himself in protective armour. Nor did he cut himself off from the world by adapting nocturnal habits. On the other hand, he was not possessed by a devil of pugnacity; he preferred vegetarianism to the horrors of carnivorous diet. Moderate in all things, he lived a life of meditative aloofness in the forest, waiting for something to turn up. His patience was rewarded; what turned up was not any kind of external goods but the key to all such—an intelligent mind.

Now we are in a position to understand why it was that man, and man alone, has invented tools. He kept open all the channels of sense and developed each of them equally and none too much. Further, he acquired the power of associating and comparing the memories of impressions arriving through different channels.

Given a group of such intelligent animals living a semi-arboreal life on the margin of a forest-region; given an abundance of stones, preferably flints, lying about on the surface; add to these a highly intelligent animal, full of curiosity, and with hands free to pick them up and use them; and we then have the necessary ingredients of primitive tool-using man.

The brain has thus literally grown at the expense of the body, and it has done so largely through the sense of touch—through the continual need of controlling the movements of the fingers and hands in making and using tools, and through a growth in the intelligent perception of the qualities of things which comes from constantly handling them.

The close connection between tools and brain will now become clear. Primitive tools were the highest existing functions of brain made manifest. Like language they are the incarnation of intelligence. When once we have come to regard all those external contrivances which I have summed up in the word "tools" as extra-corporeal "limbs," as consciously devised extensions of our personality, then and not till then shall we understand what is the underlying factor in human evolution. It amounts to this, that by growing different kinds of external limbs men have developed into a vast number of different genera and species! The old purely anatomical bases of race-classification are then seen to be but the splitting of hairs. There is far more specific difference between the millionaire

with his huge array of "tools"—a microcosm in himself—and the crossing-sweeper with his broom and a few rags. This may seem fantastic, but is it really so? Is it more fantastic to classify men by the kind of house in which they live than to classify snails by their shells?

PROBLEMS

1. How do you account for the rapid growth of investigation of "human nature" in modern times as compared with earlier periods?
2. "We all have our theories of human nature, on which we act in our daily affairs." How do we acquire them?
3. Read carefully Selection 4, chapter iv, on the economic organization of the Incas. How do you account, psychologically, for the static character of that organization? Can any conclusions be drawn from it as to the inevitability of change in human society? Granted immunity from outside interference, is a civilization of that type more or less likely to survive than one in which change seems part of the order of things, like our own? Which type seems better adapted to the needs of "human nature"?
4. What difference does it make (*a*) to the community, (*b*) to the business manager, (*c*) to the labor leader, whether man is assumed to be a rational being or one who is only partly rational, acting chiefly on emotion and impulse?
5. What difference does it make to the same three classes whether "human nature" is a fixed, predetermined quantity or something that is capable of change and modification?
6. "Psychological theory about human nature is of no practical account anyway. The leaders of men in all ages have been shrewd judges of human nature. No academic theory can assist them in practical dealings." What do you think of this position?
7. "Life has become too complex and impersonal to be guided only by common-sense knowledge of people. We are living in an artificial, suddenly developed environment, and we must have conscious adjustment and adaptation between man and this environment if we are to survive." Can you put concrete substance into this statement?
8. "Machine industry has run away with us. It is now controlling us instead of our controlling it. It rules our thoughts, our actions, our lives." What kind of a theory of human nature does this statement imply? Is it true?
9. Suppose you decided that we should be much better off under a communist organization than we are under our present economic system. Assume you have unlimited resources at your command for effecting the change, and draft a program for bringing it about. Does the

selection on the Incas throw any light on the feasibility of the project? What national traditions would you regard as your most serious obstacles?

10. Work out a list of the main forces in modern life which determine a man's mental outlook and attitude, underlining the more important ones. Suppose you were (*a*) a statesman, (*b*) a business manager, (*c*) a labor leader. Would the classification be of any use to you?
11. What is the difference between a "scientific" and an "unscientific" inquiry into human nature? Because earlier thinking about "human nature"—Aristotle's, for example—was not "psychology," does it follow that it has no present value?
12. "Primitive man probably 'thought' very much as a child thinks. He acted in accordance with emotions aroused by immediate experience." To what extent and how does education make for a different kind of thought?
13. "Human nature has not changed, it has simply accumulated." What do you think of the statement and its implications?
14. What is meant by "our social heritage": "our technological heritage"?
15. "Systematic thinking is apparently a comparatively late development in human experience, and most of the world still lives by imagination and passion." What evidence can you furnish of the truth or falsity of this statement?
16. "Civilization is a process of 'canning' intelligence. The savage developed his habits through the repetition of instinctive responses made initially to direct stimuli from the world of nature. The modern child's habits are molded by means of a traditional training, much of it embodied in printed language, so that his responses to most stimuli from the world outside are predetermined by institutional influences. Tradition and educaton are thus constantly growing in importance as contrasted with instinct and emotion in the formation of habits." Do you think this is true? Which of the two processes would you regard as more conservative?
17. According to the theory developed in Selection 6, man became intelligent because he did not become specialized: because the tool permitted him to keep all his senses open and balanced. Animals, on the other hand, became specialized and slaves to particular impulses. If this is true, is modern specialism undoing the work thus begun?
18. On the basis of this chapter, what conclusions have you come to as to the relative importance of "inborn capacity" and "environment" in determining (*a*) the character and efficiency of economic organization, (*b*) the character of civilization as a whole? Does the recent history of Japan throw any light on this question?
19. "Despite the growth of rational thought, myths still play a highly important part in men's minds, in both social and economic life."

Just what is meant by "myths" in this statement? Can you furnish examples of the influence of "myths" in industry?

20. "The savage, too, had his notion of cause and effect. 'If you eat the heart of a valiant enemy you become strong.'" How did the savage get his idea of cause and effect? How does it differ from the modern notion?
21. Suppose, during an entire generation, all new-born English babies were adopted into French families, and all French babies into English families. What would be the resulting change, if any, in the national life of the two countries?
22. Suppose a corresponding exchange took place between the families in a coal-mining town and those in a fashionable suburb. What would be the result?
23. Have these questions any relation to problems of industrial organization, or to the worker's place and part in economic society?

CHAPTER II

SOME IMPORTANT ASPECTS OF HUMAN BEHAVIOR

1. SOURCES OF HUMAN ENERGY

a) THE ENERGIES OF MEN[1]

Everyone knows what it is to start a piece of work, either intellectual or muscular, feeling stale—or *oold*, as an Adirondack guide once put it to me. And everybody knows what it is to "warm up" to his job. The process of warming up gets particularly striking in the phenomenon known as "second wind." On usual occasions we make a practice of stopping an occupation as soon as we meet the first effective layer (so to call it) of fatigue. But if an unusual necessity forces us to press onward, a surprising thing occurs. The fatigue gets worse up to a certain critical point, when gradually or suddenly it passes away, and we are fresher than before. We have evidently tapped a level of new energy, masked until then by the fatigue-obstacle usually obeyed. There may be layer after layer of this experience. A third and a fourth "wind" may supervene. Mental activity shows the phenomenon as well as physical, and in exceptional cases we may find, beyond the very extremity of fatigue-distress, amounts of ease and power that we never dreamed ourselves to own—sources of strength habitually not taxed at all, because habitually, we never push through the obstruction, never pass those early critical points.

It is evident that our organism has stored-up reserves of energy that are ordinarily not called upon, but that may be called upon: deeper and deeper strata of combustible or explosible material, discontinuously arranged, but ready for use by anyone who probes so deep, and repairing themselves by rest as well as do the superficial strata. Most of us continue living unnecessarily near our surface.

If my reader will put together two conceptions, first, that few men live at their maximum of energy, and second, that anyone may be in vital equilibrium at very different rates of energizing, he will find, I think, that a very pretty practical problem of national economy,

[1] Adapted with permission from William James, "The Energies of Men," in *Memories and Studies*, pp. 229–63. (Longmans, Green, & Co., 1911.)

as well as of individual ethics, opens upon his view. In rough terms, we may say that a man who energizes below his normal maximum fails by just so much to profit by his chance at life; and that a nation filled with such men is inferior to a nation run at higher pressure. The problem is, then, how can men be trained up to their most useful pitch of energy? And how can nations make such training most accessible to all their sons and daughters? This, after all, is only the general problem of education, formulated in slightly different terms.

"Rough" terms, I said just now, because the words "energy" and "maximum" may easily suggest only *quantity* to the reader's mind, whereas in measuring the human energies of which I speak, qualities as well as quantities have to be taken into account. Everyone feels that his total *power* rises when he passes to a higher *qualitative* level of life.

Let no one think, then, that our problem of individual and national economy is solely that of the maximum of pounds raisable against gravity, the maximum of locomotion, or of agitation of any sort, that human beings can accomplish. That might signify little more than hurrying and jumping about in inco-ordinated ways; whereas inner work, though it so often reinforces outer work, quite as often means its arrest. To relax, to say to ourselves (with the "new thoughters") "Peace! be still!" is sometimes a great achievement of inner work. When I speak of human energizing in general, the reader must therefore understand that sum-total of activities, some outer and some inner, some muscular, some emotional, some moral, some spiritual, of whose waxing and waning in himself he is at all times so well aware. How to keep it at an appreciable maximum? How not to let the level lapse? That is the great problem.

The first point to agree upon in this enterprise is that *as a rule men habitually use only a small part of the powers which they actually possess and which they might use under appropriate conditions.*

Admit so much, then, and admit also that the charge of being inferior to their full self is far truer of some men than of others; then the practical question ensues: *to what do the better men owe their escape? and, in the fluctuations which all men feel in their own degree of energizing, to what are the improvements due, when they occur?*

In general terms the answer is plain:

Either some unusual stimulus fills them with emotional excitement, or some unusual idea of necessity induces them to make an extra

effort of will. *Excitements, ideas, and efforts*, in a word, are what carry us over the dam.

But when the normal tasks and stimulations of life don't put a man's deeper levels of energy on tap, and he requires distinctly deleterious excitements, his constitution verges on the abnormal. The normal opener of deeper and deeper levels of energy is the will. The difficulty is to use it, to make the effort which the word volition implies. But if we *do* make it (or if a god, though he were only the god Chance, makes it through us), it will act dynamogenically on us for a month. It is notorious that a single successful effort of moral volition, such as saying "no" to some habitual temptation, or performing some courageous act, will launch a man on a higher level of energy for days and weeks, will give him a new range of power.

Certain men can be influenced, while others cannot be influenced, by certain sorts of *ideas*. There are common lines along which men simply as men tend to be inflammable by ideas. As certain objects naturally awaken love, anger, or cupidity, so certain ideas naturally awaken the energies of loyalty, courage, endurance, or devotion. When these ideas are effective in an individual's life, their effect is often very great indeed. They may transfigure it, unlocking innumerable powers which, but for the idea, would never have come into play. "Fatherland," "the Flag," "the Union," "Holy Church," "the Monroe Doctrine," "Truth," "Science," "Liberty," Garibaldi's phrase, "Rome or Death," etc., are so many examples of energy-releasing ideas. The social nature of such phrases is an essential factor of their dynamic power. They are forces of detent in situations in which no other force produces equivalent effects, and each is a force of detent only in a specific group of men.

b) MENTAL ASPECTS OF FATIGUE[1]

A study of output figures is an excellent introduction to an understanding of the real nature of industrial fatigue, for they reveal it as being not wholly a diminished efficiency of the muscles or the nervous system but a diminished efficiency of the *human will* in addition. Some writers who have formed no working conception of a fatigue of the will deem that it is necessary to assert that feeling tired and being tired need not be the same thing; there is no close relation, they will say, between the feeling of fatigue and the fact of fatigue.

[1] Adapted with permission from Frank Watts, *An Introduction to the Psychological Problems of Industry*, pp. 40–43. (George Allen & Unwin Ltd., 1921.)

Now, it is quite true that there is no marked correlation between the feeling of tiredness as experienced under the ordinary working conditions of everyday life and the physiological capacity of the organism for further work. As Dr. C. S. Myers writes: "To feel fatigue is by no means inconsistent with the performance of increased muscular work; the former is never a safe criterion of the latter." Here we may conceive activity as perhaps continuing because of its own momentum. Usually, however, we feel too tired, not to *cease* effort, but to *initiate* it. In such a condition we may well imagine that the human engine still retains possibly a large part of its latent energy and efficiency, but that the *will* to set it going is defective.

It would seem imperative that we should form a conception of the existence of fatigue in the higher levels of human life, in the will, the interests, and in the creative aspirations, as well as in the muscles and the nervous system, if we are to form a complete picture of our problem.

It may, of course, be theoretically sound to maintain that every form of fatigue has a physical basis, but for practical purposes it will be wise and helpful to recognize a working distinction between mental fatigue and physical fatigue, between the inability to set the human machine in motion and the inability to keep it running, the more so because defects of the "will-to-energize" cannot yet be profitably attacked through the *body*. The prevalence of neurasthenia among modern workers, for example, may not be due so much to a hypothetical wear and tear of the nervous system through the demands of industrial life as to the strain caused by individual difficulties of securing a satisfactory mental attitude towards the work performed; the right perspectives are wanting; the machine can never be set fairly running except at a too great expenditure of mental energy.

The establishment of mental attitudes favourable to continued effort along lines of activity which are not immediately connected with crude self-interest is an exceedingly arduous task, but a highly important duty, since we shall be confronted in the future with morale problems of growing complexity in all the avenues of social progress. The beliefs and aspirations of the workers play a great part in warding off (or bringing on) fatigue. A wide-spread acceptance of the belief, for example, that the wage-earners could never really improve their status would be enough to break beyond repair many of the ordinary springs of conduct, deaden all human initiative, and restrict their

efforts to the attempt to satisfy bodily needs. In industry we have, then, at once, to work out the rudiments of the science of human economy and organization, and see that unnecessary fatigue is abolished. We shall not solve our problems by exclusive attention to the mechanical forms of fatigue. But though we may not know precisely what the more subtle forms of human fatigue are, we may, like the electrician who is ignorant of the real nature of electricity, learn how to deal in action with the phenomena which we still, in theory, fail to understand.

2. THE NATURE AND IMPORTANCE OF HABIT

a) THE FUNCTIONS OF HABIT[1]

When we look at living creatures from an outward point of view, one of the first things that strikes us is that they are bundles of habits. In wild animals, the usual round of daily behaviour seems a necessity implanted at birth; in animals domesticated, and especially in man, it seems, to a great extent, to be the result of education. The habits to which there is an innate tendency are called instincts; some of those due to education would by most persons be called acts of reason.

We may trace some of the practical applications of the principle to human life.

The first result of it is that *habit simplifies the movements required to achieve a given result, makes them more accurate and diminishes fatigue.*

Man is born with a tendency to do more things than he has ready-made arrangements for in his nerve-centres. Most of the performances of other animals are automatic. But in him the number of them is so enormous, that most of them must be the fruit of painful study. If practice did not make perfect, nor habit economize the expense of nervous and muscular energy, he would therefore be in a sorry plight.

The next result is that *habit diminishes the conscious attention with which our acts are performed.* When we are learning to walk, to ride, to swim, skate, fence, write, play, or sing, we interrupt ourselves at every step by unnecessary movements and false notes. When we are proficients, on the contrary, the results not only follow with the very minimum of muscular action requisite to bring them forth, they also follow from a single instantaneous "cue." The

[1] Adapted with permission from William James, *Principles of Psychology*, pp. 104–21. (Henry Holt & Co., 1890.)

marksman sees the bird, and, before he knows it, he has aimed and shot. A gleam in his adversary's eye, a momentary pressure from his rapier, and the fencer finds that he has instantly made the right parry and return.

Habit is thus the enormous fly-wheel of society, its most precious conservative agent. It alone is what keeps us all within the bounds of ordinance, and saves the children of fortune from the envious uprisings of the poor. It alone prevents the hardest and most repulsive walks of life from being deserted by those brought up to tread therein. It keeps the fisherman and the deck-hand at sea through the winter; it holds the miner in his darkness, and nails the countryman to his log-cabin and his lonely farm through all the months of snow; it protects us from invasion by the natives of the desert and the frozen zone. It dooms us all to fight out the battle of life upon the lines of our nurture or our early choice, and to make the best of a pursuit that disagrees, because there is no other for which we are fitted, and it is too late to begin again. It keeps different social strata from mixing. Already at the age of twenty-five you see the professional mannerism settling down on the young commercial traveller, on the young doctor, on the young minister, on the young counsellor-at-law. You see the little lines of cleavage running through the character, the tricks of thought, the prejudices, the ways of the "shop," in a word, from which the man can by-and-by no more escape than his coat sleeve can suddenly fall into a new set of folds. On the whole, it is best he should not escape. It is well for the world that in most of us, by the age of thirty, the character has set like plaster, and will never soften again.

b) HABIT IN SOCIAL LIFE: THE FOLKWAYS AND MORES[1]

All the life of human beings, in all ages and stages of culture, is primarily controlled by a vast mass of folkways handed down from the earliest existence of the race, having the nature of the ways of other animals, only the topmost layers of which are subject to change and control, and have been somewhat modified by human philosophy, ethics, and religion, or by other acts of intelligent reflection. We are told of savages that "It is difficult to exhaust the customs and small ceremonial usages of a savage people. Custom regulates the whole of a man's actions—his bathing, washing, cutting his hair, eating, drinking, and fasting. From his cradle to his grave he is the slave

[1] Adapted with permission from William Graham Sumner, *Folkways*, pp. 3–4, 28, 79. (Ginn & Co., Boston, 1907.)

of ancient usage. In his life there is nothing free, nothing original, nothing spontaneous, no progress towards a higher and better life, and no attempt to improve his condition, mentally, morally, or spiritually." All men act in this way with only a little wider margin of voluntary variation.

The folkways are the "right" ways to satisfy all interests, because they are traditional, and exist in fact. They extend over the whole of life. There is a right way to catch game, to win a wife, to make one's self appear, to cure disease, to honor ghosts, to treat comrades or strangers, to behave when a child is born, on the warpath, in council, and so on in all cases which can arise. The ways are defined on the negative side, that is, by taboos. The "right" way is the way which the ancestors used and which has been handed down.

We find that changes in history are primarily due to changes in life conditions. Then the folkways change. Then new philosophies and ethical rules are invented to try to justify the new ways. The whole vast body of modern mores has thus been developed out of the philosophy and ethics of the Middle Ages. So the mores which have been developed to suit the system of great secular states, world commerce, credit institutions, contract wages and rent, emigration to outlying continents, etc., have become the norm for the whole body of usages, manners, ideas, faiths, customs, and institutions which embrace the whole life of a society and characterize an historical epoch.

We may formulate a more complete definition of the mores. They are the ways of doing things which are current in a society to satisfy human needs and desires, together with the faiths, notions, codes, and standards of well living which inhere in those ways, having a genetic connection with them.

We see that we must conceive of the mores as a vast system of usages, covering the whole of life, and serving all its interests; also containing in themselves their own justification by tradition and use and wont, and approved by mystic sanctions until, by rational reflection, they develop their own philosophical and ethical generalizations, which are elevated into "principles" of truth and right. They coerce and restrict the newborn generation. They do not stimulate to thought, but the contrary. The thinking is already done and is embodied in the mores. They never contain any provision for their own amendment. They are not questions, but answers, to the problem of life. They present themselves as final and unchangeable, because they present answers which are offered as "the truth."

3. THREE TYPES OF "EMULATION"[1]

It will be convenient to distinguish three sorts of emulation—conformity, rivalry, and hero-worship.

Conformity may be defined as the endeavor to maintain a standard set by a group. It is a voluntary imitation of prevalent modes of action, distinguished from rivalry and other aggressive phases of emulation by being comparatively passive, aiming to keep up rather than to excel, and concerning itself for the most part with what is outward and formal. On the other hand, it is distinguished from involuntary imitation by being intentional instead of mechanical. Thus it is not conformity, for most of us, to speak the English language, because we have practically no choice in the matter, but we might choose to conform to particular pronunciations or turns of speech used by those with whom we wish to associate.

Every profession, trade or handicraft, every church, circle, fraternity or clique, has its more or less definite standards, conformity to which it tends to impose on all its members. It is not at all essential that there should be any deliberate purpose to set up these standards, or any special machinery for enforcing them. They spring up spontaneously, as it were, by an unconscious process of assimilation, and are enforced by the mere inertia of the minds constituting the group.

There are two aspects of *non-conformity;* first, a rebellious impulse or "contrary suggestion" leading to an avoidance of accepted standards in a spirit of opposition, without necessary reference to any other standards; and, second, an appeal from present and commonplace standards to those that are comparatively remote and unusual. These two usually work together. One is led to a mode of life different from that of the people about him, partly by intrinsic contrariness, and partly by fixing his imagination on the ideas and practices of other people whose mode of life he finds more congenial.

The essence of non-conformity as a personal attitude consists in contrary suggestion or the spirit of opposition. Controlled by intellect and purpose this passion for differentiation becomes self-reliance, self-discipline, and immutable persistence in a private aim: qualities which more than any others make the greater power of superior persons and races. It is largely this that makes the world-winning pioneer, who keeps pushing on because he wants a place all to himself, and hates to be bothered by other people over whom

[1] Adapted with permission from C. H. Cooley, *Human Nature and the Social Order*, pp. 262–81. (Charles Scribner's Sons, 1902.)

he has no control. On the frontier a common man defines himself better as a cause. He looks round at his clearing, his cabin, his growing crops, his wife, his children, his dogs, horses, and cattle, and says, "I did it: they are mine." All that he sees recalls the glorious sense of things won by his own hand.

A just view of the matter should embrace the whole of it at once, and see conformity and non-conformity as normal and complementary phases of human activity. In their quieter moods men have a pleasure in social agreement and the easy flow of sympathy, which makes non-conformity uncomfortable. But when their energy is full and demanding an outlet through the instincts, it can only be appeased by something which gives the feeling of self-assertion.

I mean by *rivalry* a competitive striving urged on by the desire to win. It resembles conformity in that the impelling idea is usually a sense of what other people are doing and thinking, and especially of what they are thinking of us: it differs from it chiefly in being more aggressive. Conformity aims to keep up with the procession, rivalry to get ahead of it. The former is moved by a sense of the pains and inconveniences of differing from other people, the latter by an eagerness to compel their admiration.

On the other hand, rivalry may be distinguished from finer sorts of emulation by being more simple, crude, and direct. It implies no very subtle mental activity, no elaborate or refined ideal. The motive of rivalry, then, is a strong sense that there is a race going on, and an impulsive eagerness to be in it. It is rather imitative than inventive; the idea being not so much to achieve an object for its own sake, because it is reflectively judged to be worthy, as to get what the rest are after. There is conformity in ideals combined with a thirst for personal distinction. Charles Booth, who has studied so minutely the slums of London, says that "among the poor, men drink on and on from a perverted pride," and among another class a similar sentiment leads women to inflict surprising deformities of the trunk upon themselves. Professor William James suggests that rivalry does nine tenths of the world's work.

By *hero-worship* is here meant an emulation that strives to imitate some admired character, in a spirit not of rivalry or opposition, but of loyal enthusiasm. It is higher than rivalry, in the sense that it involves a superior grade of mental activity, though, of course, there is no sharp line of separation between them. While the other is a rather gross and simple impulse, common to all men and to the higher

animals, the hero-worshipper is an idealist, imaginative; the object that arouses his enthusiasm and his endeavor does so because it bears a certain relation to his aspirations, to his constructive thought. Hero-worship is thus more selective, more significant of the special character and tendencies of the individual, in every way more highly organized than rivalry.

As hero-worship becomes more imaginative, it merges insensibly into that devotion to ideal persons that is called religious. Hero-worship is a kind of religion, and religion, in so far as it conceives persons, is a kind of hero-worship. That the personality toward which the feeling is directed is ideal evidently affords no fundamental distinction. The ideal persons of religion are not fundamentally different, psychologically or sociologically, from other persons; they are personal ideas built up in the mind out of the material at its disposal, and serving to appease its need for a sort of intercourse that will give scope to reverence, submission, trust, and self-expanding enthusiasm.

4. THE "HERD" TENDENCIES IN INDUSTRY[1]

A study of the evolution of purposive behaviour reveals to us several marked stages, though with infinite gradations between them. In the presence of effective stimuli the lowest forms of life are characterized by two fundamental activities of an almost mechanical kind, the "tropisms" of attraction and repulsion. But gradually the part played by active life during the slow march of evolution becomes more and more pronounced, and after a while intelligent spontaneity of response is to be seen in and behind the mechanical reactions. Life masters the performance, that is to say, of a variety of responses and methods in its appetitions, and to a lesser extent in its aversions.

As soon as the developing organism becomes aware that it is not alone in its search for food, and that other organisms are seeking the same ends as itself and endeavouring to avoid the same dangers, the gregarious or "herd" tendencies begin to take form and develop; that is, we may observe the instinctive reactions becoming to some extent modified, so that they take on an *other*-regarding in addition to a *self*-regarding character; under the influence of herd-consciousness, therefore, several further differentiations of the root-impulses of human

[1] Adapted with permission from Frank Watts, *An Introduction to the Psychological Problems of Industry*, pp. 160–68. (George Allen & Unwin, Ltd., 1921.)

nature become possible, and accordingly take place. Thus gregariousness, by rendering adaptation to environment necessarily more complex, determines to a large extent the mental growth of all the higher animals which come under its influence. Living happily among others, that is to say, demands greater intelligence than living alone; yet animals and children, and men and women, grow to like living together, and normally resent being isolated, in spite of the antagonisms which may arise through social intercourse.

More and more we are finding it difficult to get people to accept and hold for any length of time occupations which automatically cut them off from social life. Today practically all our servants are being recruited from the countryside, where individuals have become more or less accustomed to comparatively uneventful existence. Yet most of these girls grow restive after a time, in their half-way advance towards complete immersion in the stream of social life, and are drawn off ultimately into what is for them the more stimulating current of factory life.

There is no fundamental reason why an industrial civilization should be based mainly on city life. It happened, unfortunately, in this country that the Industrial Revolution was in full movement before transport facilities had developed to any extent. To be nearer their work men went into towns to live who might have been content to dwell in their native rural surroundings had there been railways to take them backward and forward. It may be that in the future there will be an attempt made to de-urbanize communities in such a way that men and women can live and work together without losing touch with nature.

All the tactics of management should be planned to strengthen the "common purpose" which unites men and women engaged together at the same work: it is fatal to centre by repressive measures the bond of the workers' unity in a sense of injury. Indeed, whenever an ordinary manifestation of normal human instinct is met by management with flat opposition, then it either takes on a fighting form with the potential support of all the emotional energy of the personality, or it sinks back defeated, leaving the workers disturbed and irritated, and in ripe condition, to change the metaphor, for falling under the influence of others who are discontented.

To those employers who find mass-action a repulsive method of expressing crude animal passion one ought to say that there is no reason whatever why the bond of unity among the workers should

consist of a common grievance. Perhaps there is room and occasion for a differentiation of the meanings of the words *crowd*, *mob*, *group* and *community* to express the idea that what unites people varies according to the occasion. A crowd, as most observers would agree, is a loosely-knit-together heterogeneous collection of individuals with a *variety* of interests, but a *single* commonly-experienced emotion will convert them instantaneously into a mob. A group, however, is the crowd united not by crude feeling, but through devotion to a common interest or principle, so that emotion in the group is healthy and the end pursued calmly and deliberately chosen. In the community, amid a variety of conflicting interests, there is still a real bond of unity, and that bond is the common culture and civilization. Thus the community is more complex in its unity than the group. Those who have entered intimately into the common experiences of the group and of the community usually find the satisfactions of mob-life ephemeral. For the manager, then, who dislikes the mob, the way to counteract its evil influences is to organize groups of various kinds within his works, or better, to encourage his workers to join suitable clubs, circles or societies outside.

It is the herd-feeling which is the cementing agency responsible for labour solidarity, and it is because the tendency to impulsive and unthinking group action is strongest among those who feel that they most need protection that Taylor and his less discriminating followers of the early scientific management movement were wrong in ignoring it or trying to break it down when it took the form of unionism. In this country[1] we have rightly accepted even organized and deliberate group action in the form of Trade Unionism as a natural and healthy thing, and we have rightly decided that it must be utilized and developed rather than opposed.

Throughout history man has always found his chief means of self-expression in work that is of social value, and has never lived happily apart from some definite group to which he could voluntarily yield homage, and from which he might derive emotional satisfaction and inspiration. In the past it has been mainly through kinship groups, through church or political party, through territorial or occupational association that he has drunk deep of the fuller and more enduring pleasures which are to be found in group life. To-day the trade union, even if it does not provide the satisfactions, is at least the group in which the largest number of men and women participate.

[1] England.

As McDougall says, "almost the only condition of wide and general influence that continues in times of peace to foster group self-consciousness is occupational association." Group life at its best stabilizes and civilizes the individual.

5. THE NATURE AND FUNCTION OF RATIONAL THOUGHT

a) THE NATURE OF JUDGMENT[1]

A man of good judgment in a given set of affairs is a man in so far educated, trained, whatever may be his literacy. That there is an intimate connection between judgment and inference is obvious enough. The aim of inference is to determine itself in an adequate judgment of a situation, and the course of inference goes on through a series of partial and tentative judgments. What are these units, these terms of inference when we examine them on their own account? Their significant traits may be readily gathered from a consideration of the operations to which the word *judgment* was originally applied: namely, the authoritative decision of matters in legal controversy—the procedure of the *judge on the bench.* There are three such features: (1) a controversy, consisting of opposite claims regarding the same objective situation; (2) a process of defining and elaborating these claims and of sifting the facts adduced to support them; (3) a final decision, or sentence, closing the particular matter in dispute and also serving as a rule or principle for deciding future cases.

1. Unless there is something doubtful, the situation is read off at a glance; it is taken in on sight, i.e., there is merely apprehension, perception, recognition, not judgment. If the matter is wholly doubtful, if it is dark and obscure throughout, there is a blind mystery and again no judgment occurs. But if it suggests, however vaguely, different meanings, rival possible interpretations, there is some *point at issue*, some *matter at stake.* Doubt takes the form of dispute, controversy; different sides compete for a conclusion in their favor.

2. The hearing of the controversy, the trial, i.e. the weighing of alternative claims, divides into two branches, either of which, in a given case, may be more conspicuous than the other. In the consideration of a legal dispute, these two branches are sifting the evidence and selecting the rules that are applicable; they are "the facts" and "the law" of the case. In judgment they are (*a*) the determination of the data that are important in the given case (compare the inductive movement); and (*b*) the elaboration of the conceptions or meanings suggested by the crude data (compare the deductive movement). (*a*) What portions or aspects of the situation are significant in controlling the formation of the interpretation? (*b*) Just what is the full meaning and bearing of the conception that is used as a method of interpretation? These questions are strictly correlative; the answer to each depends upon the answer to the other. We may, however, for convenience, consider them separately.

[1] Adapted with permission from John Dewey, *How We Think*, pp. 101–11. (D. C. Heath & Co., 1910.)

(*a*) In every actual occurrence, there are many details which are part of the total occurrence, but which nevertheless are not significant in relation to the point at issue. All parts of an experience are equally present, but they are very far from being of equal value as signs or as evidences. Nor is there any tag or label on any trait saying: "This is important," or "This is trivial." Nor is intensity, or vividness or conspicuousness, a safe measure of indicative and proving value. The glaring thing may be totally insignificant in this particular situation, and the key to the understanding of the whole matter may be modest or hidden. Features that are not significant are distracting; they proffer their claims to be regarded as clues and cues to interpretation, while traits that are significant do not appear on the surface at all. Hence, judgment is required *even in reference* to the situation or event that is present to the senses; elimination or rejection, selection, discovery, or bringing to light must take place. Till we have reached a final conclusion, rejection and selection must be tentative or conditional. We select the things that we hope or trust are cues to meaning. But if they do not suggest a situation that accepts and includes them, we reconstitute our data, the facts of the case, for we mean, intellectually, by the facts of the case those traits that are used as evidence in reaching a conclusion or forming a decision.

Long brooding over conditions, intimate contact associated with keen interest, thorough absorption in a multiplicity of allied experiences, tend to bring about those judgments which we then call intuitive; but they are true judgments because they are based on intelligent selection and estimation, with the solution of a problem as the controlling standard. Possession of this capacity makes the difference between the artist and the intellectual bungler.

Such is judging ability, in its completest form, as to the data of the decision to be reached. But in any case there is a certain feeling along for the way to be followed; a constant tentative picking out of

certain qualities to see what emphasis upon them would lead to; a willingness to hold final selection in suspense; and to reject the factors entirely or relegate them to a different position in the evidential scheme if other features yield more solvent suggestions. Alertness, flexibility, curiosity are the essentials; dogmatism, rigidity, prejudice, caprice, arising from routine, passion, and flippancy are fatal.

(*b*) This selection of data is, of course, for the sake of controlling the development and elaboration of the suggested meaning in the light of which they are to be interpreted. An evolution of conceptions thus goes on simultaneously with the determination of the facts; one possible meaning after another is held before the mind, considered in relation to the data to which it is applied, is developed into its more detailed bearings upon the data, is dropped or tentatively accepted and used. We do not approach any problem with a wholly naïve or virgin mind; we approach it with certain acquired habitual modes of understanding, with a certain store of previously evolved meanings, or at least of experiences from which meanings may be educed. If the circumstances are such that a habitual response is called directly into play, there is an immediate grasp of meaning. If the habit is checked, and inhibited from easy application, a possible meaning for the facts in question presents itself. No hard and fast rules decide whether a meaning suggested is the right and proper meaning to follow up. The thinker has to decide, to choose; and there is always a risk, so that the thinker selects warily, subject, that is, to confirmation or frustration by later events. If one is not able to estimate wisely what is relevant to the interpretation of a given perplexing or doubtful issue, it avails little that arduous learning has built up a large stock of concepts. For learning is not wisdom; information does not guarantee good judgment. Memory may provide an antiseptic refrigerator in which to store a stock of meanings for future use, but judgment selects and adopts the one used in a given emergency—and without an emergency (some crisis, slight or great) there is no call for judgment. No conception, even if it is carefully and firmly established in the abstract, can at first safely be more than a candidate for the office of interpreter.

3. The judgment when formed is a *decision;* it closes (or concludes) the question at issue. This determination not only settles that particular case, but it helps fix a rule or method for deciding similar matters in the future; as the sentence of the judge on the bench both terminates that dispute and also forms a precedent for future

decisions. If the interpretation settled upon is not controverted by subsequent events, a presumption is built up in favor of similar interpretation in other cases where the features are not so obviously unlike as to make it inappropriate. In this way, principles of judging are gradually built up; a certain manner of interpretation gets weight, authority. In short, meanings get standardized, they become logical concepts.

Through judging, confused data are cleared up, and seemingly incoherent and disconnected facts brought together. Things may have a peculiar feeling for us, they may make a certain indescribable impression upon us; the thing may *feel* round (that is, present a quality which we afterwards define as round), an act may seem rude (or what we afterwards classify as rude), and yet this quality may be lost, absorbed, blended in the total value of the situation. Only as we need to use just that aspect of the original situation as a tool of grasping something perplexing or obscure in another situation, do we abstract or detach the quality so that it becomes individualized. Only because we need to characterize the shape of some new object or the moral quality of some new act, does the element of roundness or rudeness in the old experience detach itself, and stand out as a distinctive feature. If the element thus selected clears up what is otherwise obscure in the new experience, if it settles what is uncertain, it thereby itself gains in positiveness and definiteness of meaning.

b) REASON AS A GUIDING FORCE[1]

The original tendencies of man have not been right, are not right, and probably never will be right. By them alone few of the best wants in human life would have been felt, and fewer still satisfied. Original nature has achieved what goodness the world knows as a state achieves order, by killing, confining or reforming some of its elements. It progresses, not by *laissez faire* but by changing the environment in which it operates and by renewedly changing itself in each generation. Man is now as civilized, rational and humane as he is because man in the past has changed things into shapes more satisfying, and changed parts of his own nature into traits more satisfying, to man as a whole. Man is thus eternally altering himself to suit himself. His nature is not right in his own eyes. Only one thing in it, indeed, is unreservedly good, the power to make it better.

[1] Adapted with permission from E. L. Thorndike, *The Original Nature of Man*, pp. 281–82, 293–96. (Teachers College, Columbia University, New York, 1913.)

This power, the power of learning or modification in favor of the satisfying, the capacity represented by the law of effect, is the essential principle of reason and right in the world.

The problems of whether to cherish a tendency as it is, to inhibit it altogether or to modify it in part and, in the last case, the problem of just what modification to make, may occasionally be solved easily, but oftener demands elaborate study, rare freedom from superstition, and both care and insight in balancing goods. Indeed, many of the answers which to us now seem self-evident and sure were got only by long experiment and the acuity of some sage of the past.

It seems clear to us now that the extreme cultivation of the instincts of submissive and frightened behavior in the masses through centuries past restrained progress and denied the common good; we can hardly help inferring that the leaders of men were much less humane then than now, and perpetuated submission and fear rather than curiosity, experimentation and kindliness, wholly in their own selfish interest. But greater ignorance rather than greater ill-will was probably the major cause of the difference between then and now.

The so-called "*natural*" proclivities of man represent enormous changes from his *original* proclivities. The doctrine that the "natural" is the good, and should be the aim of education, is then very different from the doctrine that *original* nature is right. It is a shifting, indeterminate doctrine, meaning one thing in 5000 B.C., another thing today, and something else a generation hence. It amounts roughly to declaring that the mixed product of original nature and the unconscious tuition of common circumstances and customs has ultimate value. That is false. Equally false is the doctrine that the "natural" is essentially evil. Much of the so-called "natural" iniquity in man is produced by training, the only action needed for reform being to abolish the artificial stimuli to the evil behavior. Sacrifice of living men to idols, belief in the divine right of kings and legal ownership of human beings were natural enough in their day, but no special effort is required to keep the children of New York City from reverting to such beliefs and practices.

But in a certain important sense nature *is* right.

There is a warfare of man's ideals with his original tendencies, but his ideals themselves came at some time from original yearnings in some man. Learning has to remake unlearned tendencies for the better, but the capacity to learn, too, is a part of his nature. Instincts may be trusted to form desirable habits only under a strong social

pressure whereby the wants of one are accommodated to the wants of all, but the most elaborate and artificial moral training which a social group prescribes is still ultimately an expression of man's nature.

The impersonal wants, the cravings for truth, beauty and justice, the zeal for competence in workmanship, and the spirit of good will toward men which are the highest objects of life for man seem far removed from his original proclivities. They *are* remote in the sense that the forces in their favor have to work diligently and ingeniously in order to make them even partial aims for even a minority of men. But, in a deeper sense, they reside within man himself; and, apart from supernatural aids, the forces in their favor are simply all the good in all men.

The original nature of man, as we have seen, has its source far back of reason and morality in the interplay of brute forces; it grows up as an agency to keep men, and especially certain neurones within men's bodies, alive; it is physiologically determined by the character of the synaptic bonds and degrees of readiness to act of these neurones; parts of it are again and again in rebellion against the higher life that the acquired wisdom of man prescribes. But it has evolved reason and morality from brute force; amongst the neurones whose life it serves are neurones whose life means, if a certain social environment is provided, loving children, being just to all men, seeking the truth, and every other activity that man honors; the wisdom that criticizes it is its own product; the higher life is the choice of its better elements: for whatever aberrations and degradations it imposes on man, its own virtues are the preventive and cure: and to it will be due whatever happiness, power and dignity man attains.

"Human nature, then, has for its core the substance of nature at large, and is one of its more complex formations. Its determination is progressive. It varies indefinitely in its historic manifestations and fades into what, as a matter of natural history, might no longer be termed human. Man's perceptive and reasoning faculties are parts of human nature, as embodied in him; all objects of belief or desire, with all standards of justice and duty which he can possibly acknowledge, are transcripts of it, conditioned by it, and justifiable only as expressions of its inherent tendencies."[1] These inherent tendencies, too, bear the impetus and means to their own improvement. The apostles and soldiers of the ideal in whom service for

[1] Santayana, *The Life of Reason.*

truth and justice has become the law of life need not despair of human nature, nor pray for a miracle to purge man of his baser elements. They are the sufficient miracle: their lives are the proof that human nature itself can change itself for the better—that the human species can teach itself to think for truth alone and to act for the good of all men.

c) HOW OUR DESIRES INFLUENCE OUR REASON[1]

Perhaps the most widely used [mental] disguise among normal persons is that of giving a fictitious, but plausible, explanation for conduct, instead of giving the true reason or motive, a device called "rationalization." It is as though we do what we want to do, and afterward give a reason that is plausible to the opinions of others, as well as to [our mental] censor. And it is surprising how often we are ignorant of the true motive. A man will go fishing on Sunday because he wants to, but gives as his reason the fact that it is good for his health.

It is claimed that the economic causes of history are in large part unrecognized, which means that they are at least partially disguised. Before considering the particular disguises affected, it is desirable to analyze what the economic motives are and why they are disguised. The economic motive is essentially selfish. Selfishness of course finds many other modes of expression than the economic. The analysis of this paper does not imply, however, that all economic motives are selfish, nor that every selfish economic motive is against the common welfare. Nor does the validity of the thesis depend on what particular percentages of our economic motives are selfish. That we tend to repress the selfish motive is readily seen when we observe that we are loath to admit a selfish motive but are proud to display an altruistic or a righteous one. The reason for this difference in attitude between so-called altruistic and selfish motives arises from the fact that a certain amount of subordination of self must be made for the common good. There seems to be thus a conflict between immediate selfish interests and the common welfare. The selfish tendencies are kept in bounds by what Ross and Giddings call social control, by what Trotter calls the herd instinct, and by what Sumner calls the mores.

We can all see that if each individual pursued self-centeredly and short-sightedly his own selfish impulses, group survival would be

[1] Adapted with permission from William F. Ogburn, "The Psychological Basis for the Economic Interpretation of History," *American Economic Review*, IX, No. 1 (Supplement, March, 1919), 291–304.

impossible. In society, therefore, there is a conflict between collective selfishness and group welfare. This social control or mores or gregarious instinct acts as a sort of censor, represses a good many of the selfish tendencies, and elicits praise for altruistic ones.

That some emotions of groups of people, as well as of individuals are *displaced* in their objectives, has been shown by Max Eastman, who has analyzed the idea of the scape-goat so prevalent among primitive peoples. He also points out that the I.W.W. have been made the scape-goat of the modern world. In this illustration the emotion of national anger has been displaced. That economic motives may be displaced is seen from an illustration furnished by Mrs. Elsie Clews Parsons, a letter from Emanuel Downing to John Winthrop in 1645.

> A warr with the Narragansett is verie considerable to this plantation ffor I doubt whither yt be not synn in us hauing power in our hands, to suffer them to maynteyne the worship of the devill which theire paw wawes often doe; 2 lie, if upon a just warre the Lord should deliver them into our hands, wee might easily haue men, women and children enough to exchange for Moores, which will be more gaynfull pilladge for us than we conceive, for I doe not see how wee can thrive until we get a stock of slaves.

It is true that Emanuel Downing did not in this letter disguise his economic motive very well, but very probably in a good many religious wars the economic movement has been obscured. Thus various modern historians have uncovered the economic factors in the crusades of which people had been largely unconscious. Engels and Bernstein have similarly pointed out the economic nature of the Reformation. Perhaps in these cases there was a certain amount of disguise of economic factors by displacement on the religious objectives.

The displacement of the economic motive on to symbols deserves special notice. Such symbols are usually of a highly ethical nature. Thus the statue of liberty in New York harbor is a symbol, as indeed are the terms liberty and freedom, which furnish in connection with immigration at least in some cases disguised outlets to economic motives. During the past century the United States has prospered materially because of immigration. It has been called "a golden stream," because the need for labor and development was so great that the bundle of scanty clothing on the back of the immigrant was truly a bag of gold. But it will be interesting to see whether these altruistic symbols in connection with immigration will be as popular in the coming years when the country will have become more thickly

populated. A careful reading of American colonial history will show that the terms freedom, independence, liberty, for which the Revolutionary War was fought, had a surprisingly large number of specific economic determinants. The Constitution of the United States is a symbol for the bulwark of our conservatives; and it is very probable that in cases where economic motives are responsible for the reverence for this symbol, they will be so quite unconsciously.

By far the most prevalent device, it seems to me, employed in disguising the economic motives of history, is rationalization. This term is used, it is recalled, when a fictitious but plausible reason is given the place of the real one. A somewhat humorous illustration is taken from Calhoun's *A Social History of the American Family*. Nearly a century ago a Mr. Gloyd of South Carolina made the following plea for the introduction of cotton mills:

> Here will be found a never-failing asylum for the friendless orphans and the bereft widows, the distribution of labor and the improvements in machinery happily combining to call into profitable employment the tender services of those who have just sprung from the cradle as well as those who are tottering to the grave, thus training up the little innocents to early and wholesome habits of honest industry and smoothing the wrinkled front of decrepitude with the smile of competency of protection.

In the profit-sharing schemes of recent years the selfish motives of employers were rationalized, as has been pretty well shown in a number of studies. Similarly an element of rationalization is found in the adoption of welfare work in connection with industrial establishments, and in the imperialists' argument the true motives are sometimes rationalized. These illustrations might be multiplied in great number.

6. INDIVIDUAL DIFFERENCES

a) DIFFERENCES IN GENERAL CHARACTER AND INTELLIGENCE[1]

When we stand off and abstract those characteristics which appear universally in all individuals, human nature appears constant. But there are marked variations in the specific content of human nature with which each individual is at birth endowed. Put in another way, one might say that to be a human being means to be by nature pugnacious, curious, subject to fatigue, responsive to praise and blame, etc.,

[1] Adapted with permission from Irwin Edman, *Human Traits and Their Social Significance*, pp. 186–88, 208–9. (Copyright by the author, 1920. Published by Houghton, Mifflin & Co., Boston.)

and susceptible to training in all these respects. By virtue of the fact that we are all members of the human race, we have common characteristics; by virtue that we are *individuals*, we all display specific variations in specific human capacities. There is, save abstractly, no such thing as a standard human being. We may intellectually set up a norm or standard, but it will be a norm or standard from which every individual is bound to vary.

The fact that individuals do differ, and in specific and definable respects, has most serious consequences for social life. It means, briefly, that while general inferences may be drawn from wide and accurate observations of the workings of human nature, these inferences remain general and tentative, and if taken as rigid rules are sure to be misleading. Theories of education and social reform certainly gain from the general laws that can be formulated about original human traits, fatigue, memory, learning capacity, and the like. But they must, if they are to be applicable, take account also, in a precise and systematic way, of the variety of men's interests and capacities. To this fact of variety in the original nature of different men social institutions and educational methods must be adapted. Arbitrary rules that apply to human nature in general do not apply to the specific cases and specific types of talent and desires. Educational and social organizations can mould these, but the results of these environmental influences will vary with individual differences in original capacities. We can waste an enormous amount of time and energy trying to train a person without mechanical or mathematical gifts to be an engineer. We not only save energy and time, but promote happiness, if we can train individuals so that their specific gifts will be capitalized at one hundred per cent.

Individuals differ, it must be further noted, not only in specific traits, but in that complex of traits which is commonly called "intelligence." In the broadest terms, we mean by an individual's intelligence, his competence and facility in dealing with his environment, physical, social, and intellectual. This competence and facility, in so far as it is a native endowment, consists of a number of traits present in a more or less high degree, traits, for example, such as curiosity, flexibility of native and acquired reactions, sociability, sympathy, and the like. In a sense an individual possesses not a single intelligence, but many, as many as there are types of activity in which he engages. But one may classify intelligence under three heads, as does Thorndike: mechanical intelligence, involved in dealing with things; social

intelligence, involved in dealing with other persons; and abstract intelligence, involved in dealing with the relations between ideas. Each of these types of intelligence involves the presence in a high degree of a group of different traits. Thus, in social intelligence, a high degree of sympathy, sensitivity to praise and blame, leadership, and the like, are more requisite than they are for intelligent behavior in the realm of mechanical operations or of mathematical theory. A person may be highly intelligent in one of these three spheres and mentally helpless in the others. Thus, a brilliant philosopher may be nonplused by a stalled motor; a successful executive may be a babe in the realm of abstract ideas.

b) DIFFERENCES IN SPECIAL CAPACITIES[1]

One of the most striking of individual differences concerns the *rate of perception*. It has been found that certain persons are able to perceive with much greater rapidity, and, at the same time, with no less accuracy, than others. Differences of perception occur in connection with all the senses. Suppose, for example, that several people see the same cinematograph film, and afterwards describe as minutely as possible everything that they have seen. It will be found that all do not see as much as some, and, if the number of persons who see the film be considerable, say 50, it will be found that some see roughly twice as much as others. As a result of experiments with University graduates and undergraduates, men and women, in which the "subjects" were required to watch small moving pictures and afterwards to report what they had seen, I found that some were able to report *three* times as many items as others; and it seemed clear, for various reasons, that this was due to a more rapid vision. Such a difference is interesting, seeing that all the "subjects" had had much the same intellectual training.

The term *motor capacity* is clearly complex. It is necessary to specialize capacity for movements in at least three directions. We may speak of (1) capacity for *precision* of movement, (2) capacity for *complexity* of movement, and (3) capacity for *strength* of movement. Laboratory tests may be devised to discriminate between persons in all three capacities. I shall mention simply *The Martin Strength Test* as a means for bringing to light individual differences in the third of these.

[1] Adapted with permission from Bernard Muscio, *Lectures on Industrial Psychology*, pp. 95, 96, 99–102. (New York: E. P. Dutton & Co., 1920.)

Still another factor of importance here is a person's attitude towards monotony and variety. This problem has not been investigated to any great extent. We know from our own experience that the feeling of monotony is disagreeable, and we may therefore infer that it has a bad effect upon efficiency. Similarly, variety is often pleasing, and so far may be said to be advantageous to efficiency. It seems likely, however, that persons may be divided into two classes according to their attitude to monotony and variety. There seem to be some who welcome work which would ordinarily be called monotonous. Such persons find variety disagreeable. They like to repeat the same process over and over again, and day by day their lives follow the same habits. Others hate monotony. These persons find a difficulty in fixing any habits, except the habit of roving. They move from one sort of work to another, or, if they finally settle down to one class of labour, are always changing their employer. Now, in industry some kinds of work are more monotonous than others. The work of a commercial traveller, for example, exhibits considerable variety. On the other hand, the work of a weight-recorder on a weigh-bridge is fairly monotonous. It is probable that, as we learn more concerning these facts, it will be possible to utilise our knowledge for the increase of industrial efficiency.

There is another quality concerning which individuals show great differences, which is of considerable importance to industry. Persons may be divided into two classes according to their type of *attention*. Some have a capacity for extraordinarily concentrated attention. They are able to inhibit all impressions irrelevant to their purpose at any moment, even if such impressions are strong. A friend of mine tells me that he is able to do complicated mental work without trouble even if a piano is being played at the same time in the same room. This would be an absolute impossibility for most persons. In contrast with this concentrated type of attention there is a more comprehensive type, one with a large "spread," as it were, and a person with this type of attention can keep in view at any one moment all parts of a complex situation, and re-act to one in particular, when the demand arises, without losing grasp of the others. Such a type of attention is, perhaps, very useful for the tramcar driver: a man with the concentrated type might attend too much to some point in the traffic. Neither type can be said to be the better. They are simply different; and for some kinds of industry one is the more suitable, while for other kinds of industry it is the other that is required. This differ-

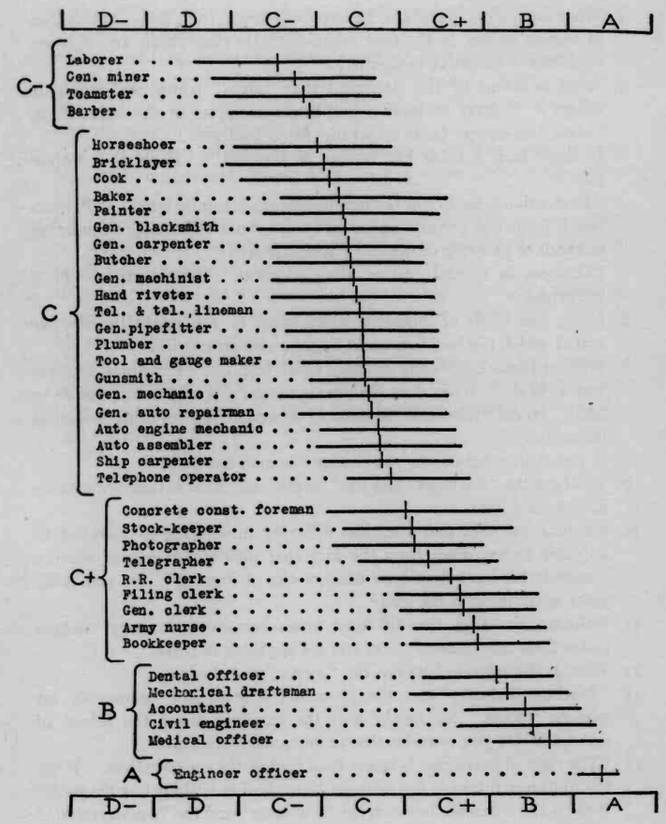
ence between individuals is an extremely important one from an industrial point of view. Besides persons who exhibit in an especial degree one or other of these two types of attention, there are, of course, those whose capacity for continuously attending, with whatever type of attention, is very poor.

c) AN INTELLIGENCE RATING BY OCCUPATIONS[1]

[NOTE.—The following graphic rating was made as the result of an intelligence test given approximately 42,000 soldiers in the national army, classified by occupations. It is given here without venturing authoritative interpretation simply as an illustration of one attempt to apply experimental technique to the problem of determining and classifying individual differences. Obviously the most diverse conclusions might be drawn on the basis of the scale as it stands. In the first place, the kind of "intelligence" thus classified would depend on the character of the test itself: i.e., could the test given be regarded fairly as a test of "intelligence" or only of special abilities? Assuming it was a test of "intelligence," to what extent does the rating depend on time allowance rather than on actual ability or capacity? To what extent does it indicate differences in environment, training, and opportunity, rather than of innate capacity: e.g., does a man in modern society drift into the status of a "laborer" because he has "C—" ability, or is he able to score only a "C—" rating because his whole environment from infancy in a laboring-class family has handicapped the development of the sort of faculties this particular test demands? Psychologists at the present time are wholly agreed on only one thing with regard to the scientific measurement of individual differences—the need of caution and healthy skepticism.—ED.]

The graph opposite shows the median and range of the middle 50 per cent for each occupation. In this graph the occupations are arranged in order from inferior to superior based upon the position of the median score in the letter-grade intervals, irrespective of the number of cases from which the median was calculated. The positions of the median and quartile scores were computed from the percentage distributions of letter grades.

[1] Taken from *Memoirs of the National Academy of Sciences*, XV, 829 (Government Printing Office, 1921.)



PROBLEMS

1. What are the important conclusions to be drawn from James's discussion of human energy in the first selection? Do they throw any light on problems of incentive in industry?
2. What is meant by the statement that "ideas" release and stimulate energy? Suggest at least a half-dozen examples of the influence of "ideas" on energy (*a*) in social life, (*b*) in business.
3. Is there such a thing as "fatigue of the will"? If so, is it important?
4. "Production is inefficient because people are naturally lazy." "Production is inefficient because we haven't worked out sufficiently stimulating methods of carrying on work." Which is true?
5. "Laziness is mental, rather than physical." Is this true? Is it important?
6. Name five kinds of incentive which seem to you might be effective and of which the business world might make greater use.
7. William James once wrote an essay which he called "The Moral Equivalent of War." What does the phrase mean? Would it be possible to find a "moral equivalent" of strikes? of profiteering? of other industrial difficulties?
8. If you change habits, do you change "human nature"?
9. What are the "folkways" and the "mores," and what is their importance in economic life?
10. Someone has said that the chief difficulty in securing co-operation in industry today arises from the fact that different groups in modern economic life have developed distinct sets of "mores." Do you think there is anything in the idea?
11. Someone else says the difficulty arises because technology changes faster than the "mores." Do you see anything in this?
12. What is the relation between the "mores" and the law?
13. "Machine industry and the pecuniary system are responsible for modern 'mores.' So money and the machine direct the future of society." Do you consider this an adequate statement?
14. "The class of routineers is larger than that of the conservatives. What the routineer thinks is the heavens above him is nothing but the roof." What is the difference between the "routineer" and the "conservative"? Which do you find more often in business? In politics?
15. "We are apt to reverence our ancestors' independence and to ignore the originality which inspired it. Tradition should be a reverent record of those crucial moments when men burst through their habits." What is tradition actually?
16. To what extent are men "rational" in their thinking? To what extent does conscious thought direct men's lives?

17. Suppose you were seeking an "impartial" opinion about an industrial dispute. What would you want to know about your informant before accepting his judgment? Why?
18. "The 'herd instinct' is important in modern life, but every man today belongs to many 'herds.' His loyalties to different 'herds' may conflict." Does this make the problem of co-operation in economic activity more or less difficult?
19. Can you suggest a psychological explanation of why some workers join trade unions and others do not; why some strike while others become "scabs"?
20. "Economic classes are usually defined in terms of income or occupation. A 'psychological' classification would be more significant." Can you suggest such a classification?
21. What importance for industry has each of the following: imitation, conformity, rivalry, hero-worship? Are these "instincts" or only names for ways of acting?
22. What do you think of the possibility of working out a scientific technique for measuring (*a*) intelligence, (*b*) capacity? Would it be of any value if we could? Would it determine the relative importance of inheritance and training?

CHAPTER III

THEORIES OF HUMAN NATURE AS TOOLS FOR UNDERSTANDING INDUSTRIAL RELATIONSHIPS

The earlier chapters of this part have considered some of the many factors which enter into the mental make-up of modern man and which help to determine his behavior. The present chapter is designed to draw together in some measure some of these scattered aspects, and to suggest possible ways in which theories of human behavior may help to a better understanding of the human problems involved in the organization of economic activity.

The separation of "aspects" which has so far been followed is, of course, purely artificial. Men act in life as complete units, not as collections of separate traits. It is impossible in fact to isolate what is inborn from what is acquired, what is social from what is individual, or to say that in a given situation one "instinct" operates while others do not. The whole equipment operates in behavior as a single thing. For purposes of understanding men in industry, also, there is no distinction between "social" and "individual" psychology, since we have no occasion to deal with men on a desert island. The selections which follow are attempts to picture man's character as a unified whole in his relation to his environment.

The three selections give three different interpretations of man's mental make-up: differences which might lead to quite different judgments on the wisdom or unwisdom of particular economic policies. It will be noted, however, that the first two differ from the third more than they differ from each other in the importance they ascribe to inborn characteristics and the attention it is necessary to give them in social and industrial life. Most of the issues raised are still in the realm of unsettled questions. They are inserted here (*a*) to focus more completely questions raised in the earlier chapters of this part, (*b*) to introduce ideas and issues which will be useful in analyzing the later material of the book.[1]

[1] It is expected that this chapter, and Part One as a whole, will be especially suggestive in the interpretation of Parts Two, Five, and Seven, although its subject-matter should be regarded and discussed as an underlying element throughout the whole book.—Ed.

1. HUMAN BEHAVIOR IN TERMS OF WISH-FULFILMENT[1]

The individual may be roughly symbolized for our purposes (Fig. 1) by a circle inclosing arrows representing impulses, wishes, strivings, "motor sets," as Holt phrases it. These impulses do not tend at first to be introspective. Many of them are at mutual odds, but they are not even organized enough to realize much mutual conflict. But, because the directions of these impulses are widely distributed, there is an approximate equilibrium, an unstable equilibrium, such that a stimulus from nearly any quarter will bring a quick response in that direction, yet diverted with comparative ease in another direction by a different stimulus. The undeveloped personality is *suggestible*, whether child or savage.

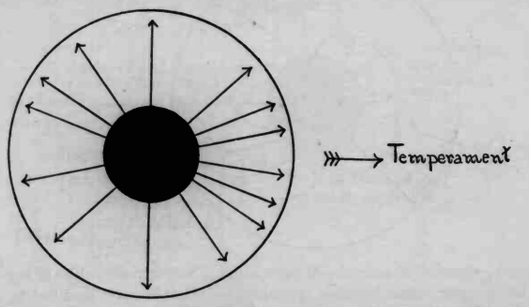


Fig. 1.—Symbol of an undeveloped personality. A general trend to the right is indicated, but the wishes are unorganized, at cross-purposes. The dark center represents the original font from which life-energy (soul, *libido*, *élan*) wells up and out at various levels. (Cf. Jelliffe, *The Technique of Psychoanalysis*, diagrams.)

Yet even in undeveloped personalities there is often a "trend" or "bent"—a predominance of certain strong instincts, or groups of impulses which, by composition of forces, give the individuality a certain initial direction. In any case, the equilibrium is soon broken, whether from within or from without; and certain desires are subordinated more or less permanently, more or less successfully, to others. Crude organic impulses are refined, combined, recombined into the more complex interests, specific desires and wishes. The real dynamics of these interests still, however, root back into primitive, often unconscious, sources.

[1] Adapted with permission from an article by Thomas D. Eliot in the *American Journal of Sociology*, XXV (November, 1920), 334 ff.

The formation of personality may be stated in terms of the organization of its impulses into a working whole, just as the formation of a state may be stated in terms of the harmonization of conflicting interests (see Fig. 2). Some impulses are suppressed, some are diverted, some are sublimated, some are encouraged and draw others to them. Some outlaw impulses escape, or remain concealed in respectable company. The whole becomes shot through with a purpose or design, like the lines of force in a magnetic field. Various processes of socialization may be interpreted in terms of wish-fulfilment mechanisms, ofttimes unconscious. Whenever an environment is

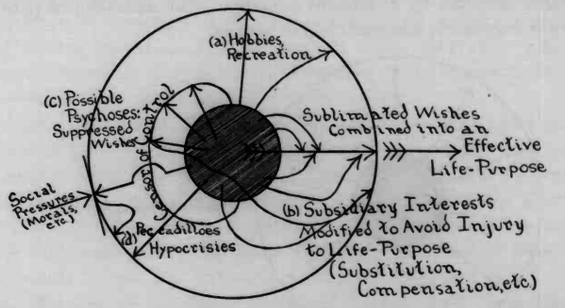


FIG. 2.—Symbol of a developed personality. Strong polarization of impulses into a life-purpose; other impulses (*a*) expressed as hobbies, (*b*) modified to serve main purpose, (*c*) suppressed, and (*d*) dodging or delinquent.

such as to stimulate a similar set of behavior mechanisms with similar effects in a considerable number of people, group formation has its natural soil.

The same individuals may be aligned in scores of different ways, with the same or other individuals, for the fulfilment of sundry strivings (see Fig. 3).

A group of any degree of complexity may be, like the organized personality of Figure 3, roughly likened for illustrative purposes to a magnetic field, polarized around the major purpose of the organization, which is a net resultant of the specific stimuli, the nature of the units affected, and the general environment; the environment would (in the case of the group) include the wishes of persons and groups external to the immediate group, such as contributors, prospective members, "public opinion."

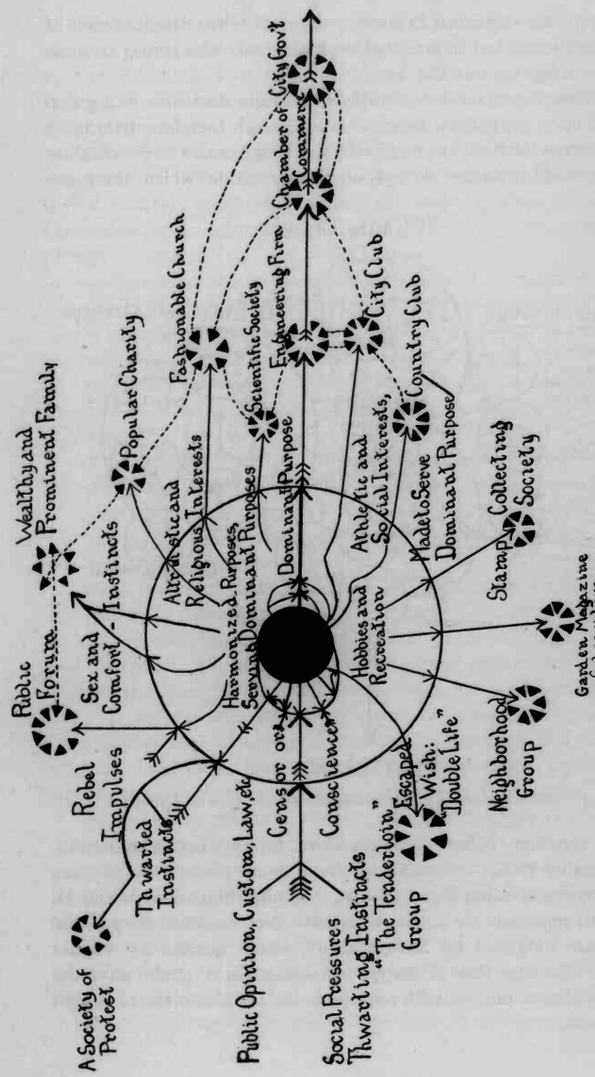


FIG. 3.—Symbol of the possible group affiliations of an individual as means to his wish-fulfilments. The diagram is similar to Figure 2, but each impulse or desire is followed out into its fulfilment in group activities, symbolized by the clusters of triangles which represent other individuals with a similar interest. Dotted lines represent interlocking memberships because of which certain minor groups were selected to serve the individuals' dominant purpose.

Groups are regrouped in larger groups, with less definite bonds of common interest but interrelated by individuals who belong to more than one subgroup (see Fig. 4).

Whether a purpose is ostensibly or actively dominant in a group depends upon the general social situation, which therefore determines which groups "fall off" in membership. Large circles in the diagram indicate roughly larger groups or classes within which there are

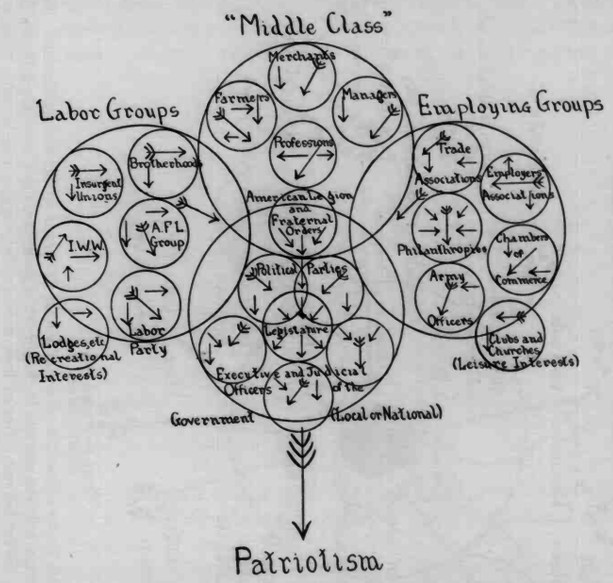


FIG. 4.—Crude symbol of group interrelation based on wish-fulfilment

certain common wishes and therefore interlocking membership. Each smaller group is symbolized by a small circle. Overlapping circles represent interrelated groups. Infinite dimensions would be needed to represent the actual situation. Net resultant purposes of groups are indicated by heavy arrows, lesser motives by smaller arrows. The direction of arrows represents, in a crude way, the direction of each interest with relation to the broad contrasts between social classes.

The analogy is that of composition of forces in physics: the class purposes are resultants of group purposes; group purposes are resultants of individual wills; and individual wills are resultants of the conscious and unconscious wishes of the individual in relation to any given situation.

The more thorough and complex the system of interests and of interrelated fulfilling groups, the more "advanced" the evolution of the society. Progress, however, of course involves increasingly harmonious and economical readjustments, rather than mere complexity.

While competition for membership may reach the point of conflict when membership becomes an end in itself, group conflicts are usually due to mutually antagonistic wishes, either with respect to a common interest (such as hunting-grounds or a doubtful state), or with respect to some policy or behavior which is doing or will do violence to the interests of one or the other group (such as trade relations with Russia).

It may often occur that, without the existence of another group whose "liberty" (wish-fulfilment) is curtailed by the very existence of its antagonist, either group would be entirely "normal." That is why the ideal business man and the ideal socialist are both so lovable when you take them separately.

When two groups have a grievance or conscious thwart in common, they will make common cause in their immediate activity, even though logically at odds in other respects; for the immediate activity is due to a wish which strives for fulfilment because of some current stimulus or thwarting, and the other differences, being less insistent for adjustment or satisfaction, are subordinated or suppressed into a less conscious sphere. Party and church, inter-college and sectional rivalries, inter-racial and international realignments, especially in the recent and present wars, suggest themselves as examples.

Groups with a similar interest not selfish to each group but common to both and capable of joint fulfilment will rapidly and easily amalgamate in the absence of egotistic minorities, or eventually in spite of them. The fusing of suffrage organizations, of parties, and of corrupt interests are examples in politics.

When two groups both have wishes, and their fulfilment is mutually exclusive, both are thwarted acutely and there is war—orderly or violent as the case may be. It is a function of civilized government to make such struggles few and orderly. Court decisions and arbitra-

tion boards attempt to harmonize thwarted interests—and occasionally succeed. They repress the crude pugnacity of injured personalities, and, theoretically, give it a channel for relatively sublimated expression. Legislation and treaties attempt compromises, reciprocal concession, and substitution just as a mother does between two quarreling children. Reason is, for good or ill, secondary to wish-fulfilment. Witness the Peace Conference.

The so-called "social mind" ordinarily develops more slowly than that of individuals, because there are infinitely more complex adjustments and readjustments to be made before internal friction can be eliminated and a combination or organization of wishes can be found which will afford a *modus vivendi*—a psychological basis for group life.

If a person finds a group to which he belongs committed to some policy or conduct which would thwart another of his interests he may have a mental conflict. He must take his choice. He may try to "swing his group." He may succeed if he can find or create a powerful enough faction. He will not often succeed if there is a real thwart or "grievance" widespread and dominant among the group. The most plausible arguments will not much avail, nor will the most logically unanswerable refutations of the group's "reasons." If he can persuade neither himself nor the group to reconcile, repress, or gloss over the conflicting wishes he must then sacrifice his personal wish to his loyalty-wish or herd instinct; or, he must secede or "get kicked out," and if possible join another group, whose dominant desires are similar to his own.

If a man finds two groups to which he belongs striving for things which are mutually antagonistic he must make a similar choice.

When some unforeseen set of conditions suddenly thwarts in a large number of people a certain set of desires which were previously fulfilled and therefore less conscious, new groupings are likely to develop, old groups are likely to "lose interest," and alignments shift as attention concentrates on the motives now thwarted, which thereupon become the dominant motives in all group activity. Old grudges now repressed project their cumulative affects into new channels and upon new objects, often over-determining the new group behavior all unconsciously.

2. A PSYCHOLOGICAL ANALYSIS OF INDUSTRIAL UNREST[1]

Human action, shortly after birth, tends to find itself exercising along certain stereotyped behavior channels, and so, to avoid that border land of pseudo-metaphysical speculation touching the parentage of these tendencies, I have selected for strict phrasing instead of "instincts," the words "unlearned tendencies to action" as describing the original physical baggage, the so-called instincts, which accompanies the remarkable anatomical contraption we have called man. However, I shall use "instincts" and "unlearned tendencies" as equivalent expressions.

The importance to me of the following description of the innate tendencies or instincts lies in their relation to my main explanation of economic behaviors which is:

First, that these tendencies are persistent, are far less warped or modified by the environment than we believe, that they function quite as they have for several hundred thousand years, that as motives in their various normal or perverted habit forms they can at times dominate singly the entire behavior and act as if they were a clear character dominant.

Secondly, that if the environment through any of the conventional instruments of repression such as religious orthodoxy, university mental discipline, economic inferiority, imprisonment, physical disfigurement, such as short stature, hare lip, etc., repress the full psychological expression in the field of these tendencies, then a psychic revolt, a slipping into abnormal mental functioning, takes place, and society accuses the revolutionist of being either wilfully inefficient, alcoholic, a syndicalist, supersensitive, an agnostic, or insane.

I am willing to admit I am about to hang a psychological wreath about the neck of the rolling stone, the law breaker, the mentally unbalanced. As Trotter has said, if we should revamp our conventional idea of normality by a study of human evolution, there might be a sensational change in the general social character of the population of our institutions of detention. An inmate of an asylum in answer to the bromidic question, "Why are you here, you look all right?" said: "Lady, I'm in the minority, that's all." The minority membership runs true from St. Francis of Assissi to the MacNamaras. Perhaps one should stop most seriously to emphasize this concept

[1] Adapted with permission from Carleton H. Parker, *The Casual Laborer*, pp. 31–37, 42, 45–52. (Harcourt, Brace & Co., 1920.)

of a new human normality and also to appreciate the handicap to discussion which comes whenever every analyzer at a round table has a very different brand of human normality in mind. There is that theoretical one hundred per cent normality which is gained for individuals by free mobility plus full environmental equipment of persons and instruments and which results in a harmonious and full expression of their psychic potentialities.

A second normality would be produced by that human mobility and freedom, and that environment, which would give far more unconventional experimentation, far more wisdom, than we now have, but not the amount which would crack human nature by hurrying its change of mores too much, or destroy those institutions of civilization which could be modified with some hope of their higher usefulness. Conscious that man will change, if he is to change, to this compromise normality concept, it is such a normality that I have in mind when I use the term. It is in the interests of such a new Darwinian normality that the following list of the innate and unsuppressable tendencies is presented. The list is a tentative and naturally an incomplete enumeration of those tendencies which we can, I think, safely use in a trial diagnosis of present day affairs and irregularities.

A tendency to be sexual and under stereotyped stimuli to follow a universally observed method of gratifying that desire

To be hungry

To think (to go over into multiform activity)

To experience mother-love, etc.

To be gregarious

To be curious (to manipulate, to dissect, to experiment)

To fear

To collect, to hoard, to gain and hold property

To migrate, to be mobile

To feel revulsion at confinement (cause of prison psychosis)

To dislike the unmeasured, the unlimited, to dislike to lie or die in the open

To fight, to be near fighting, to call for the knock out, to be cruel, to be pugnacious

To lead a group, a gang, a class, to be elected to political office

To follow a leader

To display, to be ostentatious, to be vain, to be unconventional in dress

To be workmanlike, to show a quality sense, to show a harmony sense in self-expression

To hunt (the sex chase, persecution of the weaker, to bully)

To vocalize

For sex, for migration, gregariousness, collecting, leadership, etc., there seem methods of satisfying which not only feel right and just to our experienced selves, but which seem to have a place in the scheme of conduct of biologically vigorous persons.

So we ascribe a high degree of normality to these methods of satisfying. In contrast to these in reality rare if desirable ways, are countless ways of gratification which are compromises between a fair approximation of this norm and a gratification so pitiful or so psychically costly or nauseatingly revolting or so egotistically brutal that much of orthodox religion is devoted to the simple task of either hiding these or damning them to death. Denied a normal expression one is said to sublimate the energy, evaporate it off through devotion to a different satisfaction. One is also said to compensate through a kindred substitute-activity for the thwarting of the direct instinct expressions.

If we should sympathetically take the tentative list of innate human proclivities here presented, and using them as norms investigate the infinite detail of the lives of one hundred children in the period between birth and their year of adolescence, we should uncover literally thousands of serious complexes and fixations. Mothers, fathers, teachers, ministers, playmates, the sophisticated street idler, all taken together, Trotter's social censor—conventional society—gives the repressive force. Fear of punishment by parent or teacher, fear of public scorn, fear of a playmate's ridicule, fear of being caught kissing one's mother, fear of the policeman, of being uninvited, the educated fear of the darkness and its population of devils, fear of the unknown and the limitless, fear of a cheap funeral, fear of being out of style, fear of being off the band wagon, fear of not being right, all these give us our psychic hot points, our obsessions.

An interesting generalization can be made here. These guilt obsessions result almost universally in an inferiority phobia, a "Minderwertigkeit," a feeling of guilt. This inferiority-realization creates two types of reaction—either the person affected is weak-kneed, submissive, yellow streaked, a back-slider, a fair weather friend; or secondly, he becomes a strange creature who compensates for his

inferiority by an aggressive ordering of his life as if he were imbued with the opposite character virtues. Among notable inferiority compensations of this class are: bragging of the timid; bravery of the physically small; cheerfulness of the dying (tuberculosis psychosis); washing mania of the immoral; the vociferously "fair" to laborers; ostentatious interest of cotton mill owners in the welfare of the child workers; the peace work of Carnegie in contrast to his Homestead strike policy; acquisition of the dyspeptic; dilettante intellectualism of the self-made; patriotism of the unheroic; generosity of the saloon-keeper to the poor.

By this devious path I come now to the character of evolution in the field of modern industrialism.

The powerful forces of the working class environment which thwart and balk instinct expression are suggested in the phrases monotonous work, dirty work, simplified work, mechanized work, the servile place of labor, insecure tenure of the job, hire and fire, winter unemployment, the ever found union of the poor district with the crime district, and the restricted district with prostitution, the open shop, and labor turnover, poverty, the breadlines, the scrap heap, destitution. If we postulate some twenty odd unit psychic characters which are present under the laborer's dirty blouse and insistently demand the same gratification that is with painful care planned for the college student, in just what kind of perverted compensations must a laborer indulge to make endurable his existence? A western hobo tries in a more or less frenzied way to compensate for a general all embracing thwarting of his nature by a wonderful concentration of sublimation activities on the wander instinct. The monotony, indignity, dirt and sexual apologies of, for instance, the unskilled worker's life, bring their definite fixations, their definite irrational inferiority obsessions. The balked laborer here follows one of the two described lines of conduct: First, he either weakens, becomes inefficient, drifts away, loses interest in the quality of his work, drinks, deserts his family, or, secondly, he indulges in a true type-inferiority compensation and in order to dignify himself, to eliminate for himself his inferiority in his own eyes, he strikes or brings on a strike, he commits violence or he stays on the job and injures machinery, or mutilates the materials; he is fit food for dynamite conspiracies. He is ready to make sabotage a part of his regular habit scheme. His condition is one of mental stress and unfocussed psychic unrest, and could in all accuracy be called a definite industrial

psychosis. He is neither wilful nor responsible, he is suffering from a stereotyped mental disease.

If one leaves the strata of unskilled labor and investigates the higher economic classes he finds parallel conditions. There is a profound unrest and strong migratory tendency among department store employees. One New York store with less than three thousand employees has thirteen thousand pass in a year through its employ. Since the establishment in American life of "big business" with its extensive efficiency systems, its order and de-humanized discipline, its caste system, as it were, there has developed among its highly paid men a persistent unrest, a dissatisfaction and decay of morale which is so notable and costly that it has received repeated attention. Even the conventional competitive efficiency of American Business is in grave question. I suggest that this unrest is a true psychosis, a definite mental unbalance, an efficiency psychosis, as it were, and has its definite psychic antecedents—and that our present moralizing and guess-solutions are both hopeless and ludicrous. We blindly trust that a 10 per cent wage increase will cure that breakdown which a sympathetic social psychiatrist might, if given all power, hope merely to alleviate. Other economic classes suffer from the limited outlet their environment affords—a narrow thwarted life drives unmarried women into France as nurses. Students, disappointed and balked by the impersonal and perfunctory instruction given in American universities, compensate by an enthusiasm over athletics and student activities which, if partly expended in intellectual exercise, would revolutionize society. College athletics is a sort of psychic cure for the illness of experiencing a university education.

The most notable inferiority compensation in industrial life is the strike. The strike has two prerequisites—a satisfactory obsession in the labor mind, and a sufficient decay in the eyes of labor of the prestige of social norms, to allow the laborer to make those breaches of law and convention which a well-run strike of today demands. The violence of the strike varies directly with both the psychic annoyance due to the obsession and with the extent of decay in the striker's eyes of conventional mores. Veblen has shown how modern machine technology gives a causal, deterministic bias to labor class thinking and how this bias makes impossible the acceptance at face value of the mystic, anthropomorphic pretensions of law and business rights. These pretensions seem fitted to endure only in a society experiencing a placid, unaroused and ox-like existence, or in one where

the prestige of law and order is maintained by a large professional army and a policy of frightfulness not rendered inefficient by the inopportune presence of emotional religions. Neither of these prerequisites is present in America, so our strikes tend to reflect without serious modification both the psychic ill-health generated by the worker's experience, and the rapid and interesting decay of the respect for and popularity of the law, the courts, property, and the rich man.

3. HUMAN NATURE AS A PRODUCT OF TRAINING AND ENVIRONMENT

a) NATURE LESS IMPORTANT THAN NURTURE[1]

Apart from all experience, we do tend to fear, to love, and to acquire certain particular things under certain particular circumstances; but what these particular things and particular circumstances are is not perfectly known. The fears, the loves, the acquisitiveness which *are* great social forces, which really *do* concern the social psychologist, are not these naked original propensities; but these propensities made over and standardized by contact from the days of our births with other people, who got their dispositions in question by a similar indissoluble fusion of nature and nurture at the hands of their predecessors.

Every one who does not consider, indeed every one who does not emphasize the fact that the human nature of each generation of men is determined chiefly by its nurture at the hands of the preceding generation misses the most potent single factor in social psychology. "Man is born," says Mr. Wallas, "with a set of dispositions related, clumsily enough but still intelligibly, to the world of tropical or sub-tropical wood and cave which he inhabited during millions of years of slow evolution, and whose main characteristics changed little over vast periods of time." If that were the full story of the human nature with which we become citizens of the Great Society, our plight would be bad indeed. But it is not the full story. Perhaps we have no original capacities which the cave man had not; but before we start in school, still more before we begin to earn our livings and to vote, our numberless unlearned capacities have grown into certain more or less stereotyped combinations utterly different from the combinations of the cave man. It still remains true that "neither

[1] Adapted with permission from W. C. Mitchell, "Human Behavior and Economics," *Quarterly Journal of Economics* (November, 1914), pp. 14–16.

our instinctive nor our intelligent dispositions (even as thus made over) find it easy to discover their most useful stimuli" in the Great Society. But happily the disharmony is not that between the original instincts of cave men and the requirements of civilization. It is the disharmony between the requirements of the Great Society and a human nature composed of cave man elements combined with one another in definite forms derived from generations of farmers, handicraftsmen, and petty shopkeepers.

b) CHANGING HUMAN NATURE[1]

After ignoring impulses for a long time in behalf of sensations, modern psychology now tends to start out with an inventory of instinctive activities. This is an improvement. But when it tries to explain complicated events in personal and social life by direct reference to these native powers, the explanation becomes hazy and forced.

At some place on the globe, at some time, every kind of practice seems to have been tolerated or even praised.[2] How is the tremendous diversity of institutions (including moral codes) to be accounted for? The native stock of instincts is practically the same everywhere. Exaggerate as much as we like the native differences of Patagonians and Greeks, Sioux Indians and Hindoos, Bushmen and Chinese, their original differences will bear no comparison to the amount of difference found in custom and culture. Since such a diversity cannot be attributed to an original identity, the development of native impulse must be stated in terms of acquired habits, not the growth of customs in terms of instincts. The same original fears, angers, loves and hates are hopelessly entangled in the most opposite institutions. The thing we need to know is how a native stock has been modified by interaction with different environments.

In spite of what has been said, it will be asserted that there are definite, independent, original instincts which manifest themselves in specific acts in a one-to-one correspondence. Fear, it will be said, is a reality, and so is anger, and rivalry, and love of mastery of others, and self-abasement, maternal love, sexual desire, gregariousness and envy, and each has its own appropriate deed as a result. Of course they are realities. So are suction, rusting of metals, thunder and lightning and lighter-than-air flying machines. But science and invention did not get on as long as men indulged in the notion of special

[1] Adapted with permission from John Dewey, *Human Nature and Conduct*, pp. 90–91, 106–10, 166. (Henry Holt & Co., 1922.)

[2] Note by way of illustration the selections in chapter iv.—Ed.

forces to account for such phenomena. Men tried that road, and it only led them into learned ignorance. They spoke of nature's abhorrence of a vacuum; of a force of combustion; of intrinsic nisus toward this and that; of heaviness and levity as forces. It turned out that these "forces" were only the phenomena over again, translated from a specific and concrete form (in which they were at least actual) into a generalized form in which they were verbal. They converted a problem into a solution which afforded a simulated satisfaction.

Advance in insight and control came only when the mind turned squarely around. After it had dawned upon inquirers that their alleged causal forces were only names which condensed into a duplicate form a variety of complex occurrences, they set about breaking up phenomena into minute detail and searching for correlations, that is, for elements in other gross phenomena which also varied. Correspondence of variations of elements took the place of large and imposing forces. The psychology of behavior is only beginning to undergo similar treatment. But as yet we tend to regard sex, hunger, fear, and even much more complex active interests as if they were lump forces, like the combustion or gravity of old-fashioned physical science.

The notion that anger still remains a single force is a lazy mythology. Even in the cases of hunger and sex, where the channels of action are fairly demarcated by antecedent conditions (or "nature"), the actual content and feel of hunger and sex, are indefinitely varied according to their social contexts. Only when a man is starving, is hunger an unqualified natural impulse; as it approaches this limit, it tends to lose, moreover, its psychological distinctiveness and to become a raven of the entire organism.

Again it is customary to suppose that there is a single instinct of fear, or at most a few well-defined sub-species of it. In reality, when one is afraid the whole being reacts, and this entire responding organism is never twice the same. In fact, also, every reaction takes place in a different environment, and its meaning is never twice alike, since the difference in environment makes a difference in consequences. It is only mythology which sets up a single identical psychic force which "causes" all the reactions of fear, a force beginning and ending in itself.

Fear of the dark is different from fear of publicity, fear of the dentist from fear of ghosts, fear of conspicuous success from fear of

humiliation, fear of a bat from fear of a bear. Cowardice, embarrassment, caution and reverence may all be regarded as forms of fear. There is no error in calling it fear. But there is error, even from a limited clinical standpoint, in permitting the classifying name to blot from view the difference between fear of bombs dropped from the sky and the fears which previously existed. The new fear is just as much and just as little original and native as a child's fear of a stranger.

For any activity is original when it first occurs. As conditions are continually changing, new and primitive activities are continually occurring. The traditional psychology of instincts obscures recognition of this fact. When we recognize the diversity of native activities and the varied ways in which they are modified through interactions with one another in response to different conditions, we are able to understand moral phenomena otherwise baffling.

. . . . . .

Wary, experienced men of the world have always been sceptical of schemes of unlimited improvement. They tend to regard plans for social change with an eye of suspicion. They find in them evidences of the proneness of youth to illusion, or of incapacity on the part of those who have grown old to learn anything from experience. This type of conservative has thought to find in the doctrine of native instincts a scientific support for asserting the practical unalterability of human nature. Circumstances may change, but human nature remains from age to age the same. Heredity is more potent than environment, and human heredity is untouched by human intent. Effort for a serious alteration of human institutions is utopian. As things have been so they will be. The more they change the more they remain the same.

Curiously enough both parties [conservative and radical] rest their case upon just the factor which when it is analyzed weakens their respective conclusions. That is to say, the radical reformer rests his contention in behalf of easy and rapid change upon the psychology of habits, of institutions in shaping raw nature, and the conservative grounds his counter-assertion upon the psychology of instincts. As matter of fact, it is precisely custom which has greatest inertia, which is least susceptible of alteration; while instincts are most readily modifiable through use, most subject to educative direction. The conservative who begs scientific support from the psychology of instincts is the victim of an outgrown psychology which derived its notion of instinct from an exaggeration of the fixity and certainty of

the operation of instincts among the lower animals. He is a victim of a popular zoölogy of the bird, bee, and beaver, which was largely framed to the greater glory of God. He is ignorant that instincts in the animals are less infallible and definite than is supposed, and also that the human being differs from the lower animals in precisely the fact that his native activities lack the complex ready-made organization of the animals' original abilities.

But the short-cut revolutionist fails to realize the full force of the things about which he talks most, namely institutions as embodied habits. Any one with knowledge of the stability and force of habit will hesitate to propose or prophesy rapid and sweeping social changes. A social revolution may effect abrupt and deep alterations in external customs, in legal and political institutions. But the habits that are behind these institutions and that have, willy-nilly, been shaped by objective conditions, the habits of thought and feeling, are not so easily modified. They persist and insensibly assimilate to themselves the outer innovations—much as American judges nullify the intended changes of statute law by interpreting legislation in the light of common law. The force of lag in human life is enormous.

Those who argue that social and moral reform is impossible on the ground that the Old Adam of human nature remains forever the same, attribute however to native activities the permanence and inertia that in truth belong only to acquired customs. To Aristotle slavery was rooted in aboriginal human nature. Native distinctions of quality exist such that some persons are by nature gifted with power to plan, command and supervise, and others possess merely capacity to obey and execute. Hence slavery is natural and inevitable. There is error in supposing that because domestic and chattel slavery has been legally abolished, therefore slavery as conceived by Aristotle has disappeared. But matters have at least progressed to a point where it is clear that slavery is a social state, not a psychological necessity. Nevertheless the worldly wise Aristotles of today assert that the institution of war and the present wage-system are so grounded in immutable human nature that effort to change them is foolish.

Yet to view institutions as enemies of freedom, and all conventions as slaveries, is to deny the only means by which positive freedom in action can be secured. A general liberation of impulses may set things going when they have been stagnant, but if the released forces are on their way to anything they do not know the way nor where

they are going. Indeed, they are bound to be mutually contradictory and hence destructive—destructive not only of the habits they wish to destroy but of themselves, of their own efficacy. Convention and custom are necessary to carrying forward impulse to any happy conclusion. A romantic return to nature and a freedom sought within the individual without regard to the existing environment finds its terminus in chaos. Every belief to the contrary combines pessimism regarding the actual with an even more optimistic faith in some natural harmony or other—a faith which is a survival of some of the traditional metaphysics and theologies which professedly are to be swept away. Not convention but stupid and rigid convention is the foe. And, as we have noted, a convention can be reorganized and made mobile only by using some other custom for giving leverage to an impulse.

PROBLEMS

1. What was Adam Smith's theory of human nature? What is the theory implicit in the Declaration of Independence? What are the theories of the business men of your acquaintance? Where did they get them?
2. Pick out several books and public documents which have been influential or significant, either in the past or the present: try to make out what assumptions about human character each makes and to see what influence these assumptions have upon the author's conclusions and on the practical effects of the book or document in question.
3. "Improved knowledge about man is of more consequence for planning for the future than for immediate day to day action." Can you see anything in this point?
4. What are the essential differences in point of view among the three selections in this chapter?
5. "Man's behavior traces back ultimately to the stimuli of fundamental simple instincts with which he was born and which cannot be eradicated." "This instinct idea is all wrong. Practically speaking, the only equipment with which men are born is a capacity to react to stimuli." With which do you agree?
6. "There is, after all, little practical difference between the 'instinct' school and its opponents, since many adherents of the former concede that instincts are capable of almost unlimited modification and direction into selected channels of action." Do you agree?
7. "Modern social and industrial troubles are due to the conflict between fixed human nature and a changing world." "They are due to the conflict between dynamic human nature and a static world." Which? Is either true?

8. Is liberty "wish-fulfillment"? If not, what is it? What is individualism?
9. "Men in modern society belong to many different groups, each one representing a different interest or interests. Sometimes these interests conflict." If they do, what decides which loyalty will be the stronger? How judge rationally the merits of conflicting "loyalties"?
10. Can we have organized society or organized industry without discipline? If not, how avoid "thwarting" instincts? Has there ever been a society in which instincts have not been "thwarted"? Does the "moral equivalent" theory help here?
11. Assuming it is true that because of our mental habits we judge the present too much by the past, have we any other standards of judgment?
12. A Labor Party candidate in a recent British election was quoted as saying that one of the aims of the Labor Party was to do away with "servility" in the modern world. Is this possible? Is "servility" inborn or merely an acquired habit?
13. Does the material of this chapter throw any light on the reasons for churches, manufacturers' associations, trade unions, shop committees, political parties, clubs, fraternities, secret orders, other institutions of modern life?
14. Does it afford any basis for judging the usefulness of such institutions?
15. Assume that man's original equipment, like clay, is so mobile as to be capable of modification and adaptation by environment in almost any direction. What attitude should be assumed toward machine industry? What kind of an educational scheme, both social and industrial, should we work for?
16. Some revolutionists are said to believe that if they could gain control of the whole institutional machinery of the community for a generation —including newspapers, schools, factories, commercial houses, banks, churches, and all the rest—they could remake the world to their hearts' desire. What would you think of their chances?

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PART TWO

THE DEVELOPMENT OF ECONOMIC ORGANIZATION

INTRODUCTION

The central thought in the previous section was that man's economic and social behavior is conditioned and largely determined by the character, past and present, of the economic organization in which he has been reared. Manifestly, then, the next step in a study of the "worker in modern economic society" should be an examination of the way in which the modern world does gain its livelihood, from the point of view especially of the part the wage-earner plays in the process and the position he occupies in the economic scheme.

The present part begins such an examination by taking a preliminary glance at modern economic organization as a whole from two aspects: first, in contrast with other types of organization which men have used in other times and places; second, in the light of the simpler scheme out of which modern industrial America has grown. Later parts will be concerned with a more detailed analysis of certain special economic relationships of peculiar importance to the American wage-earner, and with types of action which wage-earners and other groups in the community are working out to meet the changing needs of the situation as it develops.

The purposes of the present material may be represented as fourfold: to see something of the development of the form of economic organization in which the habits and modes of acting of people in the modern Western World have been formed; to see in broad outline how, and as far as possible why, economic organization has changed in the past; to see that it is changing and will continue to change in the future; to see something of the part the worker plays in this constant process of change, how he influences it and how he is affected by it.

The part is divided into three chapters: chapter iv, described below; chapter v, which gives rapid glimpses of some of the more important changes which marked the growth of modern business from the relatively static life of the Middle Ages, particularly in England, and chapter vi, which carries these changes over into modern America and suggests the peculiarly American factors which have helped shape their course in this country.

CHAPTER IV

GLIMPSES OF SOME DIVERSE TYPES OF "WORK-ORGANIZATION"

The selections which follow are simply snapshots of various schemes of economic organization which men have employed in widely differing times and circumstances. There is no chronological sequence in the arrangement, although the final selections—those concerned with the craft organization of medieval England—may be regarded in a qualified sense as a chronological introduction to the material of chapter v.

The purpose of the material present is purely one of comparison and contrast—to indicate the wide diversity in principle and method which has characterized human organization in various times and places. It should immediately suggest that there is hardly such a thing as a "right" scheme of industrial organization—right for all times, places, and races—and, more important, that there are many sources of human power and energy and many forms of appeal to human motives of which our own economic organization takes little account and makes little use.

Among the questions which might be borne in mind in reading the material are the following: (*a*) Where is the main responsibility vested for securing proper functioning of the producing organization, e.g., in the producers or workers, in the consumers, in the owners, in "custom," in "competition," in the state, in the church, in a special directing authority? (*b*) If, as is usually the case, responsibility and control are not concentrated wholly in any one institution or group of persons, try to trace down the responsibility for special functions, e.g., where does responsibility for quality of output rest, and how is it secured? (*c*) What are the dominant motives appealed to for securing "good" work, e.g., fear, gain, craftsmanship? (*d*) Is there an ultimate "authority"—religious, moral, political, etc.—which determines the standards that govern activity? (*e*) To what extent are the form and methods employed conditioned by the time and place and state of industrial knowledge of the economic society under consideration—for example, the principles underlying gild organization by handicraft technique—to what extent would the

principles involved be available in a different economic environment, such as our own? (*f*) If the form of organization under consideration has not survived, why not? (*g*) What light do these selections throw on the relative influence on social organization of habit and tradition as against inborn characteristics?

Try in each particular to contrast the case under consideration with our own modern scheme of organization. Try to develop additional points of comparison and contrast—the list given is by no means exhaustive.

1. THE GREEK ARTISAN[1]

The Greeks never recognized any distinction between a craft or "trade" and a "profession." For these modern distinctions, if once we stop to consider them, are unreal and meaningless. The real distinction in this sphere, as our forefathers knew, is between the man within the gild or brotherhood who possesses certain definite knowledge, with the trained capacity to use it, and the man who possesses none, or, to put it boldly, between the artist and the common labourer. In those earlier days all men who knew the joy of creation, whether with hand or brain, ranked as "poets" or "artificers" and were accepted as fellow craftsmen.

The stone-masons and sculptors who made and adorned the temples and sanctuaries, the colonnades and armouries, and other public buildings of Greece, were not State servants. They were private craftsmen, such as Socrates, whose time was in their own hands. On ordinary days, when the State did not call for their services, they worked in their own stoneyards, with four or five young apprentices, cutting those formal inscriptions and carving those quiet gravestone scenes that we know so well from our museums. But when there was a public building to claim their craftsmanship, they accepted State employment for the time being, working under an arrangement with the State Overseers or Special Commissioners of Public Works. Sometimes the master-mason became simply a foreman, and his workmen were paid direct by the State, although he still retained control over them at their work. More often he remained a small contractor, undertaking the work himself and accepting all responsibility for its performance.

[1] Adapted with permission from Alfred Zimmern, *The Greek Commonwealth*, pp. 256–76. (Oxford University Press, 1915.)

We can see plainly what kind of men these ancient contractors were, and how different from the modern organizer of hired labour who is called by the same name. The Greek contractor is simply a master-mason, working together on the same job with a number, perhaps scores, of other master-masons, proud to be able for a time to make the Acropolis their stoneyard, and to leave the mark of their craftsmanship, and that of the craftsmen whom they have trained, upon a great city monument. There is no competition here to keep the rival builder out of the job, and no rivalry for big winnings. Neither in Athens nor elsewhere do we find any traces of unemployed skilled labourers. The danger was all the other way: that cities would lack the labour necessary to carry out their designs. The rough labour they could raise at a pinch with women, children, and household slaves; but these skilled employments, with their inherited craft-methods, they could not so easily improvise.

This should serve to prepare our minds for what will be for modern readers the most remarkable feature of the Athenian building inscriptions, because we have been taught by our economists to regard it as impossible—the appearance in them of slave-masons doing the same work and receiving the same pay as the freemasons.

These slaves and other non-citizens (no doubt many of them freedmen) are working not only at the same trade but at identically the same tasks as the citizen workmen. All of them, including the foreman master, are paid at the same rate—one drachma a day, or about four shillings' purchasing power. Indeed, as Francotte remarks: "The ordinary wage for all categories of workers on the Erechtheum from the architect to the day labourer, for free men as for slaves, is a drachma a day."

Because economic life was stable, craftsmen could feel themselves to be comrades, and because they were comrades they could help to keep life stable. Every part and craft had its own Association, not a Trades Union or Employers' Association such as we know them, but a union of men who understand one another and were drawn close together by the same daily effort and the practice of the same art. The Greek band of associates was a social and religious, not an economic, form of grouping. Its members did not need to "protect their own interest," for these were sufficiently protected by custom and the constitution of society; when they felt anxious about them they could go as citizens to the assembly. They did not need to raise prices, for they were working not for riches but for honour and a

livelihood, and prices were fixed by immemorial custom. In their little professional conclaves they merely did honour to their god or hero or founder, the metal-workers to Hephaestus, the doctors to Asclepius, the epic poets and reciters to Homer, and then "talked shop" about the mysteries into which they had been initiated. For the craft-secrets that they discussed were really mysteries. The outer world, and, above all, the State, had no concern with them. There was no State regulation of skilled industry, for there were no industrial abuses—not, at least, in the sphere with which we are here concerned. Nor were there State-granted patents. Knowledge was either free for all men or religiously confined to the craft and handed down and added to from generation to generation.

So, as Solon has already suggested to us, craftsmanship in Greece covered a far wider sphere than that which we are accustomed to associate with "industry" today. Everybody who had some special skill or art by which he earned his living, whether by "rendering service" or "producing commodities," was accounted a craftsman, from the poet who "built the lofty rhyme" and the doctor who could mix herbs or perform operations down to the tanner and the cobbler. City State life was, in fact, democratic; and we ought not to be surprised, though in fact we are, when we find doctors and sculptors and schoolmasters being paid, like masons and joiners and private soldiers, at the customary standard rate. They all earned a decent livelihood, which was all that they asked for in pay. They preferred to take the "rise" that the modern craftsman would demand, in honour and public estimation, or, if the city felt particularly grateful, in a golden crown and a public banquet. Indeed, it was very seldom that they worked for wages at all, because, as the London clerk said of his summer holiday, it interfered so much with their daily habits. They worked as wage-earners for the city when the need arose: for they were her citizens and trained to do her bidding. But who were they, as free men, that they should work for wages from their equals? "Such an arrangement would have put the craftsman almost in the position of the slave. His aim in life was very different: to preserve his full personal liberty and freedom of action, to work when he felt inclined and when his duties as a citizen permitted him, to harmonize his work with all the other occupations which filled the life of a Greek, to participate in the government, to take his seat in the courts, to join in the games and festivals, to break off his work when his friends called him out to go to the market-place or the wrestling school, or

when his colleagues in the craft were holding a dinner—all of them things which were incompatible with a contract at a fixed wage."

2. THE SIBERIAN CONVICT[1]

Hard labor in our fortress was not an occupation, but an obligation. The prisoners accomplished their task, they worked the number of hours fixed by the law, and then returned to the prison. They hated their work outside. If the convict had not some private work of his own, it would have been impossible for him to support his confinement. How could these persons, all strongly constituted, who had been brought together against their will, after society had cast them off—how could they live in a normal and natural manner? Man cannot exist without work, without legal, natural property. Depart from these conditions, and he becomes a wild beast. Accordingly, every convict, through natural requirements and by the instinct of self-preservation, had a trade—an occupation of some kind.

Consequently each barrack, though locked and bolted, assumed the appearance of a large workshop. The work was not, it is true, strictly forbidden, but it was forbidden to have tools, without which work is evidently impossible. But we laboured in secret, and the administration seemed to shut its eyes. Many prisoners arrived without knowing how to make use of their fingers, but they learnt a trade from some of their companions. We had among us cobblers, tailors, masons, locksmiths, and gilders.

I did not understand till long afterwards why the prison labour was really hard and excessive. It was less by reason of its difficulty, than because it was forced, imposed, obligatory; done through fear of the stick. The peasant works certainly harder than the convict, for, during the summer, he works night and day. But it is in his own interest. He has a rational aim, so that he suffers less than the convict who performs hard labour from which he derives no profit. It once came into my head that if it were desired to reduce a man to nothing—to punish him atrociously, to crush him in such a manner that the most hardened murderer would tremble before such a punishment—it would be necessary only to give to his work a character of complete uselessness.

Hard labour, as it is now carried on, presents no interest to the convict; but it has its utility. The convict makes bricks, digs the

[1] Adapted with permission from Fyodor Dostoievsky, *The House of the Dead*, pp. 18–19, 25, 99, 103–7. (Everyman Edition, E. P. Dutton & Co., 1911.)

earth, builds; and all his occupations have a meaning and an end. Sometimes, even the prisoner takes an interest in what he is doing. He then wishes to work more skilfully, more advantageously. But let him be constrained to pour water from one vessel into another, or to carry earth from one place to another and back again, then I am persuaded that at the end of a few days the prisoner would strangle himself or commit a thousand crimes, punishable with death, rather than live in such an abject condition and endure such torments.

. . . . . .

Behind the fortress on the frozen river were two barges belonging to the Government, which were not worth anything, but which had to be taken to pieces in order that the wood might not be lost. The wood was in itself all but valueless. This work was given us to keep us busy. This was understood on both sides.

At last we reached the bank; a little lower down was the old hulk, which we were to break up, stuck fast in the ice. I expected to see everyone go to work at once. Nothing of the kind. Some of the convicts sat down negligently on wooden beams that were lying near the shore, and nearly all took from their pockets pouches containing native tobacco—which was sold in leaf at the market at the rate of three kopecks a pound—and short wooden pipes. They lighted them while the soldiers formed a circle around them, and began to watch us with a tired look.

"Who the devil had the idea of sinking this barge?" asked one of the convicts in a loud voice, without speaking to anyone in particular.

At last the non-commissioned officer appointed to superintend the work came up with a cane in his hand.

"What are you sitting down for? Begin at once."

"Give us our tasks, Ivan Matveitch," said one of the "foremen" among us, as he slowly got up.

"What more do you want? Take the barge to pieces, that is your task."

Ultimately the convicts got up and went to the river, but very slowly. Different "directors" appeared, "directors," at least, in words. The barge was not to be broken up anyhow. The latitudinal beams were to be preserved, and this was not an easy thing to manage.

"Draw this beam out, that is the first thing to do," cried a convict who was neither a director nor a foreman, but a simple workman.

This man, very quiet and a little stupid, had not previously spoken. He now bent down, took hold of a heavy beam with both hands, and waited for someone to help him. No one, however, seemed inclined to do so.

"Not you, indeed, you will never manage it; not even your grandfather, the bear, could do it," muttered someone between his teeth.

"Well, my friend, are we to begin? As for me, I can do nothing alone," said the man who had put himself forward, and who now, quitting the beam, stood upright.

"Unless you are going to do all the work by yourself, what are you in such a hurry about?"

"He couldn't feed three hens without making a mistake, and now he puts himself forward!"

"I was only speaking," said the poor fellow, excusing himself for his forwardness.

Finally the prisoners began work, but with no good-will, and very indolently. The irritation of the under-officer at seeing these vigorous men remain so idle was intelligible enough. While the first beam was being removed it suddenly snapped.

"It broke in pieces," said the convict in self-justification. It was impossible then, they suggested, to work in such a manner. What was to be done? A long discussion took place between the prisoners, and little by little they came to insults; nor did this seem likely to be the end of it. The under-officer shouted again and shook his stick, but the second beam snapped like the first.

After an hour the "foreman" arrived. He listened quietly to what the convicts had to say, declared that the task he gave them was to get out four beams unbroken, and to demolish a good part of the barge. As soon as this was done the prisoners could go back to the house. The task was a considerable one, but good heavens! how the convicts now went to work! Where now was their idleness, their want of skill? The hatchets soon began to dance, and soon the beams were sprung. Those who had no hatchets made use of thick sticks to push beneath the beams, and thus in due time and in skilful fashion they got them out. The convicts seemed suddenly to have become intelligent. No more insults were heard. Every one knew perfectly what to say, to do, to advise. Just half-an-hour before the beating of the drum, the appointed task was executed, and the prisoners returned to the convict prison fatigued, but pleased to have gained half-an-hour from the working time fixed by the regulations.

3. AMERICAN SLAVE ECONOMY[1]

The economic advantages of slavery are easily stated: they are all comprised in the fact that the employer of slaves has absolute power over his workmen, and enjoys the disposal of the whole fruit of their labours. Slave labour, therefore, admits of the most complete organization, that is to say, it may be combined on an extensive scale, and directed by a controlling mind to a single end, and its cost can never rise above that which is necessary to maintain the slave in health and strength.

On the other hand, the economical defects of slave labour are very serious. They may be summed up under the three following heads: it is given reluctantly; it is unskillful; it is wanting in versatility.

It is given reluctantly, and consequently the industry of the slave can only be depended on so long as he is watched. The moment the master's eye is withdrawn, the slave relaxes his efforts. The cost of slave labour will therefore, in great measure, depend on the degree in which the work to be performed admits of the workmen being employed in close proximity to each other. If the work be such that a large gang can be employed with efficiency within a small space, and be thus brought under the eye of a single overseer, the expense of superintendence will be slight; if, on the other hand, the nature of the work requires that the workmen should be dispersed over an extended area, the number of overseers, and, therefore, the cost of the labour which requires this supervision, will be proportionately increased. The cost of slave labour thus varies directly with the degree in which the work to be done requires dispersion of the labourers, and inversely as it admits of their concentration. Further, the work being performed reluctantly, fear is substituted for hope, as the stimulus to exertion. But fear is ill calculated to draw from a labourer all the industry of which he is capable.

Secondly, slave labour is unskillful, and this, not only because the slave, having no interest in his work, has no inducement to exert his higher faculties, but because, from the ignorance to which he is of necessity condemned, he is incapable of doing so. In the Slave States of North America, the education of slaves, even in the most rudimentary form, is proscribed by law, and consequently their intelligence is kept uniformly and constantly at the very lowest point. "You can make a nigger work," said an interlocutor in one of Mr. Olmsted's

[1] Adapted with permission from John Elliot Cairnes, *The Slave Power*, pp. 42–52. (New York: Castelon, 1862.)

dialogues, "but you cannot make him think." He is therefore unsuited for all branches of industry which require the slightest care, forethought, or dexterity. He cannot be made to co-operate with machinery; he can only be trusted with the coarsest implements; he is incapable of all but the rudest forms of labour.

But further, slave labour is eminently defective in point of versatility. The difficulty of teaching the slave anything is so great, that the only chance of turning his labour to profit is, when he has once learned a lesson, to keep him to that lesson for life. Where slaves, therefore, are employed there can be no variety of production. If tobacco be cultivated, tobacco becomes the sole staple, and tobacco is produced, whatever be the state of the market, and whatever be the condition of the soil.

Such being the character of slave-labour, as an industrial instrument, let us now consider the qualities of the agency with which, in the colonization of North America, it was brought into competition. This was the labour of peasant proprietors, a productive instrument, in its merits and defects, the exact reverse of that with which it was called upon to compete. Thus, the great and almost the sole excellence of slave labour is, as we have seen, its capacity for organization; and this is precisely the circumstance with repect to which the labour of peasant proprietors is especially defective. In a community of peasant proprietors, each workman labours on his own account, without much reference to what his fellow-workmen are doing. There is no commanding mind to whose guidance the whole labour force will yield obedience, and under whose control it may be directed by skillful combinations to the result which is desired. Nor does this system afford room for classification and economical distribution of a labour force in the same degree as the system of slavery. Under the latter, for example, occupation may be found for a whole family of slaves, according to the capacity of each member, in performing the different operations connected with certain branches of industry. Thus, in the culture of tobacco, the women and children may be employed in picking the worms off the plants, or gathering the leaves as they become ripe while the men are engaged in the more laborious tasks. But it is otherwise when the cultivator is a small proprietor. His children are at school, and his wife finds enough to occupy her in her domestic duties: he can, therefore, command for all operations, however important or however insignificant, no other labour than his own, or that of his grown-up sons—labour which would be greatly misapplied

in performing such manual operations as I have described. The system of peasant proprietorship, therefore, does not admit of combination and classification of labour in the same degree as that of slavery. But if in this respect it lies under a disadvantage as compared with its rival, in every other respect it enjoys an immense superiority. The peasant proprietor, appropriating the whole produce of his toil, needs no other stimulus to exertion. Superintendence is here completely dispensed with. The labourer is under the strongest conceivable inducement to put forth, in the furtherance of his task, the full powers of his mind and body; and his mind, instead of being purposely stinted and stupefied, is enlightened by education, and aroused by the prospect of reward.

4. THE ECONOMIC SOCIETY OF THE INCAS[1]

The impositions on the Peruvian people seem to have been sufficiently heavy. On them rested the whole burden of maintaining, not only their own order, but every other order in the state. The whole duty of defraying the expenses of the government belonged to the people. The great hardship in the case of the Peruvian was, that he could not better his condition. His labours were for others rather than for himself. However industrious, he could not add a rood to his own possessions, nor advance himself one hair's breadth in the social scale. No wonder that the government should have dealt with sloth as a crime. It was a crime against the state, and to be wasteful of time was, in a manner, to rob the exchequer. The Peruvian, labouring all his life for others, might be compared to the convict in a treadmill, going the same dull round of incessant toil, with the consciousness, that, however profitable the results to the state, they were nothing to him.

But this is the dark side of the picture. If no man could become rich in Peru, no man could become poor. No spendthrift could waste his substance in riotous luxury. No adventurous schemer could impoverish his family by the spirit of speculation. The law was constantly directed to enforce a steady industry and a sober management of his affairs. No mendicant was tolerated in Peru. When a man was reduced by poverty or misfortune (it could hardly be by fault), the arm of the law was stretched out to minister relief; not the stinted relief of private charity, not that which is doled out drop

[1] Adapted with permission from William H. Prescott, *History of the Conquest of Peru*, pp. 36–37, 50, 78–83, 100–101. (Everyman Ed., E. P. Dutton & Co., 1909.)

by drop, as it were, from the frozen reservoirs of "the parish," but in generous measure, bringing no humiliation to the object of it, and placing him on a level with the rest of his countrymen.

No man could be rich, no man could be poor, in Peru; but all might enjoy, and did enjoy, a competence. Ambition, avarice, the love of change, the morbid spirit of discontent, those passions which most agitate the minds of men, found no place in the bosom of the Peruvian. The very condition of his being seemed to be at war with change. He moved on in the same unbroken circle in which his fathers had moved before him, and in which his children were to follow. It was the object of the Incas to infuse into their subjects a spirit of passive obedience and tranquillity, a perfect acquiescence in the established order of things. In this they fully succeeded. The Spaniards who first visited the country are emphatic in their testimony, that no government could have been better suited to the genius of the people; and no people could have appeared more contented with their lot, or more devoted to their government.

Those who may distrust the accounts of Peruvian industry, will find their doubts removed on a visit to the country. The traveller still meets, especially in the central regions of the table-land, with memorials of the past, remains of temples, palaces, fortresses, terraced mountains, great military roads, aqueducts, and other public works, which, whatever degree of science they may display in their execution, astonish him by their number, the massive character of the materials, and the grandeur of the design.

The Peruvian institutions, though they may have been modified and matured under successive sovereigns, all bear the stamp of the same original—were all cast in the same mould. Each succeeding Inca seemed desirous only to tread in the path, and carry out the plans of his predecessor. Great enterprises, commenced under one, were continued by another, and completed by a third. Thus, while all acted on a regular plan, without any of the eccentric or retrograde movements which betray the agency of different individuals, the state seemed to be under the direction of a single hand, and steadily pursued, as if through one long reign, its great career of civilization and of conquest. The ultimate aim of its institutions was domestic quiet.

Husbandry was pursued by them on principles that may be truly called scientific. It was the basis of their political institutions. Having no foreign commerce, it was agriculture that furnished them with

the means of their internal exchanges, their substance, and their revenues. They distributed the land in equal shares among the people, while they required every man, except members of the privileged orders, to assist in its cultivation. The Inca himself did not disdain to set the example. On one of the great annual festivals, he proceeded to the environs of Cuzco, attended by his court, and, in the presence of all the people, turned up the earth with a golden plough—or an instrument that served as such—thus consecrating the occupation of the husbandman as one worthy to be followed by the Children of the Sun.

The patronage of the government did not stop with this cheap display of royal condescension, but was shown in the most efficient measures for facilitating the labours of the husbandman. Much of the country along the sea-coast suffered from want of water, as little or no rain fell there, and the few streams, in their short and hurried course from the mountains, exerted only a very limited influence on the wide extent of territory. The soil, it is true, was, for the most part, sandy and sterile; but many places were capable of being reclaimed, and, indeed, needed only to be properly irrigated to be susceptible of extraordinary production. To these spots water was conveyed by means of canals and subterraneous aqueducts, executed on a noble scale.

The greatest care was taken that every occupant of the land through which these streams passed should enjoy the benefit of them. The quantity of water allotted to each was prescribed by law; and royal overseers superintended the distribution, and saw that it was faithfully applied to the irrigation of the ground.

It was frequently the policy of the Incas, after providing a desert tract with the means for irrigation, and thus fitting it for the labours of the husbandman, to transplant there a colony of *mitimaes*, who brought it under cultivation by raising the crops best suited to the soil. While the peculiar character and capacity of the lands were thus consulted, a means of exchange of the different products was afforded to the neighbouring provinces, which, from the formation of the country, varied much more than usual within the same limits. To facilitate these agricultural exchanges, fairs were instituted, which took place three times a month in some of the most populous places, where, as money was unknown, a rude kind of commerce was kept up by the barter of their respective products. These fairs afforded so many holidays for the relaxation of the industrious labourer.

Such were the expedients adopted by the Incas for the improvement of their territory; and, although imperfect, they must be allowed to show an acquaintance with the principles of agricultural science that gives them some claim to the rank of a civilised people. Under their patient and discriminating culture, every inch of good soil was tasked to its greatest power of production, while the most unpromising spots were compelled to contribute something to the subsistence of the people.

It added not a little to the efficacy of the government, that, below the sovereign, there was an order of hereditary nobles of the same divine origin with himself, who, placed far below himself, were still immeasurably above the rest of the community, not merely by descent, but, as it would seem, by their intellectual nature. Was it not, as we have said, the most oppressive, though the mildest of despotisms?

It was the mildest, from the very circumstance, that the transcendant rank of the sovereign, and the humble, nay, superstitious, devotion to his will, made it superfluous to assert this will by acts of violence or rigour. The great mass of the people may have appeared to his eyes as but little removed above the condition of the brute, formed to minister to his pleasures. But, from their very helplessness, he regarded them with feelings of commiseration, like those which a kind master might feel for the poor animals committed to his charge, or—to do justice to the beneficent character attributed to many of the Incas—that a parent might feel for his young and impotent offspring. The laws were carefully directed to their preservation and personal comfort. The people were not allowed to be employed on works pernicious to their health, nor to pine under the imposition of tasks too heavy for their powers. They were never made the victims of public or private extortion; and a benevolent forecast watched carefully over their necessities, and provided for their relief in season of infirmity, and for their sustenance in health. The government of the Incas, however arbitrary in form, was in its spirit truly patriarchal.

Yet in this there was nothing cheering to the dignity of human nature. What the people had was conceded as a boon, not as a right. When a nation was brought under the sceptre of the Incas, it resigned every personal right, even the rights dearest to humanity. Under this extraordinary polity, a people advanced in many of the social refinements, well skilled in manufactures and agriculture, were unacquainted, as we have seen, with money. They had nothing that

deserved to be called property. They could follow no craft, could engage in no labour, no amusement, but such as was specially provided by law. They could not change their residence or their dress without a license from the government. They could not even exercise the freedom which is conceded to the most abject in other countries, that of selecting their own wives. The imperative spirit of despotism would not allow them to be happy or miserable in any way but that established by law.

The astonishing mechanism of the Peruvian polity could have resulted only from the combined authority of opinion and positive power in the ruler to an extent unprecedented in the history of man. Yet that it should have so successfully gone into operation, and so long endured, in opposition to the tastes, the prejudices, and the very principles of our nature, is a strong proof of a generally wise and temperate administration of the government.

The policy habitually pursued by the Incas for the prevention of evils that might have disturbed the order of things, is well exemplified in their provisions against poverty and idleness. In these they rightly discerned the two great causes of disaffection in a populous community. The industry of the people was secured not only by their compulsory occupations at home, but by their employment on those great public works which covered every part of the country, and which still bear testimony in their decay to their primitive grandeur.

5. A GLIMPSE OF PRODUCTION IN THE ENGLISH HANDICRAFT PERIOD

a) THE EMERGENCE OF "INDUSTRY" IN THE TWELFTH CENTURY[1]

The rise of the craft gilds in the twelfth and thirteenth centuries meant the appearance in Western Europe of industry as a separate economic phenomenon, as distinguished from agriculture on the one side and trade on the other. The economic activity of the early Middle Ages was an almost exclusively agricultural one. Then there slowly arose a merchant class; at first, it would seem, merely to meet the needs of the wealthy and more luxurious, and then to transport from place to place a local superfluity of such raw produce as corn or wool. But with the appearance of craft gilds we see, for the first time,

[1] Adapted with permission from W. J. Ashley, *An Introduction to English Economic History and Theory*, Part II, pp. 99, 71–75. (London, Longmans, Green & Co., 1893.)

a body of men with whom manufacture was not a by-employment, but the main business of their lives.

Nothing is more noticeable than the rapidity with which, in London, and other large towns, the gild organization was extended to every branch of industry and trade at the end of the fourteenth and the early part of the fifteenth century, and somewhat later in the less important towns. The primary purpose which the authorities and the craftsmen themselves had in view was to bring about such a supervision of wares as should secure the observance of generally accepted standards of good work.

There were, however, many motives besides the desire for a survey of wares which stimulated the general movement toward gild fraternities. The gild corresponded so closely to the social tendencies of the time—the disposition to seek for local or class franchises rather than general liberties, the love of pageantry and public display, the desire to secure the soul's future by means of alms and masses—that it became the universal form of association. There was yet another motive for corporate action, which became more prominent as time went on. The early charters authorizing the existence of craft gilds had usually conferred upon their members an exclusive right to carry on their particular industry in their own town.

b) THE CONTROL OF CRAFT INDUSTRY[1]

Although the control of industries by municipal by-laws may be classed as "external," and control by gild regulations as "internal," no hard-and-fast line can really be drawn between the two. In England the two authorities worked together with very little friction, the craft gilds recognizing the paramount position of the merchant gild or town council, and the latter, in turn, protecting the interest of the gilds and using their organization to control the various crafts. Although nothing could be farther from the truth than the sentimental notion that the medieval workman always loved a piece of good work for its own sake and never scamped a job, to give them their due, the gilds recognized the importance to their own interests of maintaining a high standard of workmanship, and co-operated loyally with the municipal authorities to that end.

The interests of the craftsmen, or producers, were as a whole opposed to those of the consumers. They co-operated, as suggested,

[1] Adapted with permission from L. F. Salzmann, *English Industries of the Middle Ages*, pp. 204–12. (Constable & Co., Ltd., 1913.)

with the local authorities in maintaining the standard of workmanship, because the craft that did not do so would soon find itself "defamed and out of employ," but it was obviously to their interest to keep up prices by the limitation of competition and of output. Their success in restricting competition varied very greatly in different trades and places. As a whole, however, the gilds had the townsmen behind them in their opposition to outsiders. The traditional attitude of the Englishman towards a stranger has always been to "heave half a brick at him," and as far back as 1421 the authorities at Coventry had to order "that no man throw ne cast at noo straunge man, ne skorn hym."

From the consumer's point of view the regulation of prices was perhaps the most important problem, and this was very intimately related with the question of wages. The medieval economist seems to have accepted Ruskin's theory that all men engaged in a particular branch of trade should be paid equal wages. There were, of course, grades in each profession, as master or foreman, workman, and assistant or common laborer, but within each grade the rate of payment was fixed, at least within the jurisdiction of any gild or town authority, unless the work was quite exceptional.

Wages were at all times paid on the two systems of piece-work and time, and the hours, which varied in different trades, and at different places and periods, were as a rule long. The blacksmiths of London worked, at the end of the fourteenth century, from dawn till 9 P.M., except during November, December, and January, when their hours were from 6 A.M. to 8 P.M. In the case of the Cappers' gild at Coventry the journeymen's hours were in 1496 from 6 A.M. to 6 P.M.; but in 1520 they had been increased, being from 6 A.M. to 7 P.M. in winter, and from 5 A.M. to 7 P.M. in summer. Against the long hours we have to set the comparative frequency of holidays.

c) AN APPRAISAL OF APPRENTICESHIP[1]

The object of apprenticeship is defined in an Elizabethan state document: "Until a man grow unto the age of twenty-three years" he has not "grown unto the full knowledge of the art that he professed." It was a system of technical training, by which the craftsman was initiated into the secrets of his craft and rendered qualified to carry on his calling. It was essentially a contractual relation

[1] Adapted with permission from E. Lipson, *An Introduction to the Economic History of England*, pp. 279–95. (A. & C. Black, Ltd., 1915.)

involving mutual obligations on the part of master and apprentice alike. The master was required to provide bed and board and technical training, "and whatever is needful for an apprentice"; sometimes also a small salary; sometimes even his schooling and a knowledge of languages. In an indenture drawn up at Leicester in 1531 the apprentice was to receive eightpence a year, and in the eighth year sixpence a week; moreover, he was "to be kept as a prentice should be, that is to say, meat and drink, hose and shoes, linen, woollen, and his craft to be taught him, and nothing hid from him thereof." If the master neglected to fulfil these duties the apprentice was at liberty to withdraw from his service.

It would be erroneous, however, to regard the institution of apprenticeship as simply a system of technical training, for above all it was a system of social training. It was intended to fashion not only good craftsmen, inspired with loyalty to their city, but good citizens willing to give active service on its behalf when summoned to the field or the council chamber. The bond between master and apprentice was of the closest description; the master stood *in loco parentis* to the apprentice, who lived in his house, sat at his board, and associated with him in the workshop and the home on terms of the most personal intimacy. Apprenticeship became an integral element in the constitution of the craft gild, because in no other way was it possible to ensure the permanency of practice and the continuity of tradition, by which alone the reputation of the gild for honourable dealing and sound workmanship could be carried on from generation to generation: or to raise up, as one gild expressed it, "honest and virtuous masters to succeed us in this worshipful fellowship for the maintenance of the feats of merchandise."

Drawn from the same social status, united by a sense of common interests, masters and men in the early days of industrial development could toil side by side in willing co-operation, undivided by the antagonism of capital and labour. In so far as any difficulty disturbed the smooth working of the gild system, it arose rather from the lack than the superabundance of apprentices. Throughout the Middle Ages, England remained primarily an agricultural country, a land of tillers, to whose needs the interests of trader and artisan alike were frankly subordinated. But in the fifteenth century industry was beginning to prove more attractive than husbandry; it offered a wider scope to men of initiative and enterprise, and opened up a field of opportunity where wealth and prestige lay within the grasp of all

who could approve themselves worthy by their skill and resources. The cloth trade was progressing by leaps and bounds, and the prosperous burgher began to store up riches in his house and entertain kings at his table for his guests. There was a movement from the country to the towns in the years that followed the Black Death, and the discontent of the peasants with the burdens of villeinage spurred on their ambition for better things. The cry went up that tillage was decaying from scarcity of agricultural labourers, and the government responded with the acts of 1388 and 1406. The first act enjoined that all who served in husbandry till the age of twelve should continue to do so, and not be apprenticed to any mystery. More important still was the second act, by which no one might place his child to serve as apprentice to any craft "or other labour within any city or borough, except he have land or rent to the value of twenty shillings by the year at the least." Some writers have supposed that this statute was ineffectual, but this view is undoubtedly incorrect. In 1429 the citizens of London petitioned against it, and they were excluded from its operation. Oxford made two futile attempts in 1450 and 1455 to obtain immunity from the act; they complained that their town was "desolate for the more part," since scholars had withdrawn from the University, "saying that they may not have artificers to serve them."

The system of apprenticeship can be traced as far back as 1260, and before the thirteenth century had come to a close it had become part and parcel of the economic life of the London craft gilds. We can readily grasp the reasons that account for its rapid spread through every industrial centre in England, where the craft gilds brought together in a compact body all who followed a common calling. It was a field of technical training, a school of specialized knowledge, in which the artisan learnt the mystery of his craft and was taught the ideals of good workmanship and sound quality, upon which the reputation of the gild depended. At the same time it protected the qualified workman from unskilled competitors, while later it developed in the hands of exclusive gilds into an instrument of monopoly. But although apprenticeship became a universal feature of industrial life in the later Middle Ages, it is erroneous to suppose that it was everywhere made obligatory upon those who wished to set up in the gild as journeymen or masters.

Every journeyman looked forward to the day when he would cease to be a wage-earner and would take his place among the masters

of the gild as a fully qualified craftsman, sharing in the common life of the town, bearing its burdens and participating in its privileges. Sometimes he was required to furnish a "masterpiece," though this was more common in the seventeenth century than in the fifteenth.

d) CHURCH AUTHORITY AND THE "JUST PRICE"[1]

[NOTE.—The *standards* which governed economic activity in the Middle Ages were in many respects very different from those now prevalent, and in their determination the religious thought of the time played a dominant part. Doubtless the ideals set up were in the main unrealized, but backed as they were by a religious authority which none dared question they were generally accepted as a test by which economic actions and relations could be judged. As the application of these standards in the light of custom and tradition gave them concrete meaning, the Middle Ages gained something like an absolute code of economic justice. It is hard—perhaps impossible—for the modern American to realize the unity and stability which this must have given the life of the time, or to appreciate the changes in the standards of economic life which have succeeded the break-up of the medieval church. While we have ethical standards in modern economic activity, as compared with medieval standards they change rapidly, they are often different for different economic classes, they have no authoritative (at least no supernatural) sanction binding on everyone; in a word, they have become relative.—ED.]

To the mediaeval theologian an "eagerness for gain," beyond that necessary to maintain a man of his rank in life, was in itself avarice, and therefore sin. But if the pursuit of wealth for its own sake was sinful, how were the ordinary activities of life to be justified? The answer to this question was given by another dominant idea of mediaeval thinkers—the idea of status or class. Men, they taught, had been placed by God in ranks or orders, each with its own work to do, and each with its own appropriate mode of life. That gain was justified, and that only, which was sought in order that a man might provide for himself a fit sustenance in his own rank.

There is the less need to dwell upon this doctrine of predetermined class distinctions, because it still survives in many quarters. In the Middle Ages, as now, it was used to inculcate lessons of obedience on

[1] Adapted with permission from W. J. Ashley, *An Introduction to English Economic History and Theory*, Part II, pp. 388–94. (London: Longmans, Green & Co., 1914.)

the part of inferiors. But it must be remembered that class distinctions were then as a matter of fact much more rigid and sharply marked than they are now; and also that the doctrine was employed with as much readiness to protect the weak as to keep them in "their place."

With the canonists, this idea of class duties and class standard of comfort is either explicitly or implicitly referred to as the final test in every question of distribution or exchange. Thus Langenstein—who, after being vice-chancellor of the University of Paris, was called to teach at the new University of Vienna in 1384—lays down that every one can determine for himself the just price of the wares he may have to sell, by simply reckoning what he needs in order to suitably support himself in his rank in life. And he tells the lords of land that their only just claim to their rents is founded on their fulfilling the duties of their class, and rightly governing and protecting those subject to them.

It is evident that the simple division of the laity into "lords and commons," "gentlemen and labourers," could have been adequate only in the earlier and purely agricultural stages of feudal society. The position of the early craftsmen was probably sufficiently like that of the villeins for there to be little difficulty in allotting them to their proper class. But when a body of merchants made its appearance, it was not so easy to account for men whose obvious aim was to make profit. We have seen that there was a disposition among some of the Fathers to put trade under the ban. But although traces of this phase of thought are to be found in the earlier canon law, it exercised no practical influence over the teaching of the later Middle Ages. Canonists and theologians accepted without hesitation the justification of trade formulated by Aquinas, "Trade is rendered lawful when the merchant seeks a moderate gain for the maintenance of his household, or for the relief of the indigent; and also when the trade is carried on for the public good, in order that the country may be furnished with the necessaries of life, and the gain is looked upon not as the object, but as the wages of his labour." The moralists usually justified trade—as Chaucer's Parson did, following Aquinas, by a reference to the supply of the country's needs: "It is honest and lawful that of the abundance of (one) country men help another country that is needy." As a *measure* of just gain they fell back, as Aquinas had done, on the usual test—the standard of living of the class. This was a test which was more likely to seem applicable to real life then than

now. The strong bent of political life towards the formation of "estates," the obstacles in the way of competition, the customs of the trading companies, the sumptuary legislation and a number of other forces, all tended to throw men into clearly recognized social grades. But it is evident that the test allowed so wide a margin that it was much less applicable, practically, to the case of a merchant than to the case of a country squire with his customary receipts from his tenants, or to the case of a yardling living amidst his fellows. It was indeed foreign trade which did more than any other force to break down the mediaeval social order.

The view which regarded the shares obtained by individuals in the *distribution* of wealth as the return for the performance of the duty which their rank imposed upon them was closely connected with another as to the *production* of wealth. It has been usual until recently, with the rank and file of modern economists, to speak of three "factors," "instruments," "agents," or "requisites," in production, viz. land, labour, and capital, and to put them all on very much the same level of importance. Mediaeval thinkers saw but two, land and labour. The land was the ultimate source of all wealth; but it needed human labour to win from it what it was able to provide. Labour, therefore, as the one element in production which depended on the human will, became the centre of their doctrine. All wealth was due to the employment of labour on the materials furnished by nature; and only by proving that labour had been engaged in bringing about the result could the acquisition of wealth by individuals be justified. "God and the labourer," as one widely read theologian expressed it, "are the true lords of all that serves for the use of man. All others are either *distributors* or beggars"; and he goes on to explain that the clergy and gentry are *debtors* to the husbandmen and craftsmen, and only deserve their higher honour and reward so far as they fitly perform those duties, as "ruling classes," which involve greater labour and greater peril. The doctrine had thus a close resemblance to that of modern socialists: labour it regarded both as the sole (human) cause of wealth, and also as the only just claim to the possession of wealth. It differed from modern socialist teaching only in allowing different kinds of services to society to be remunerated at very different rates. Yet it would certainly have visited with a similar condemnation the acquisition of wealth by sheer speculation, or by the manipulation of the market.

PROBLEMS

1. Contrast the Greek craftsman, as pictured in Selection 1, with (*a*) the modern factory hand, (*b*) the modern building trades worker, in the following particulars: nature of task, technique and skill, security of employment, financial reward, non-financial incentives, independence, breadth of outlook, physical comfort.
2. What "work incentives" can you discover in the Greek industrial organization that are now used little or not at all? Are they in disuse because they no longer can stimulate men, because "human nature" has changed, because they are impossible of attainment, or why?
3. Was "discipline" exerted in the Greek organization? What kind and how?
4. What were the dominating forces and agencies of social control in (*a*) the Greek state, (*b*) English medieval life? Contrast them with each other and with those of today.
5. Determine, if you can, how the leaders and organizers of work were chosen in each of the "work-organizations" presented in this section and what qualities were needed in these organizers. Contrast with qualities needed and methods of choosing business organizers today. Account for the differences.
6. With which of the following groups in modern life would you say the medieval craft gilds were most nearly parallel in aims and organization: trade unions, chambers of commerce, medical or bar associations? Why?
7. "The Greek temples and the medieval cathedrals divide between them the honor of being the greatest examples of 'mass production' the world has ever seen." In what sense were they "mass production"? What are the significant points of contrast between these kinds of mass production and the modern kind as regards the part the worker plays in each?
8. "Society cannot get on without a basis of unpleasant and monotonous labor." How was the drudgery taken care of in the days of the temple builders? in the days of the cathedral builders? Who does the drudgery now? Has modern society more or less drudgery to be performed than these earlier periods? Why?
9. List the advantages and disadvantages of slavery as a means of attaining efficient production. What do you consider the main reasons for the decline of the "slave power"?
10. "When a nation was brought under the sceptre of the Incas, it resigned every personal right, even the rights dearest to humanity." What kind of an assumption about the origin of "rights" does this imply? Is the assumption correct? What are the "rights dearest to humanity" and where did they come from?

11. Criticize the economic organization of the Incas as a scheme of national livelihood. What are your standards of judgment?
12. If you had been a social psychologist living in Peru in the days of the Incas, what generalizations about human nature would you have made?
13. "The strength of the craft gild was the strength of a 'professional' organization. Its weaknesses were the weaknesses of a too narrow and unrestrained professionalism." What does this mean? What are the strength and weaknesses of organizations that depend on a "professional" tie? Could industry today be "professionalized" and its control vested in professional associations?
14. "The great achievements of the modern western world rest on the freeing of individual initiative through the substitution of a relation of contract for one of status." What does this mean in concrete terms? Do you agree? How would you define "status"? Were men "free" in gild days? Could they exercise individual initiative then? more or less than today? What is freedom, anyway? individual initiative?
15. Look through the selections in this chapter and see if you can pick out any "principles" essential to any successful human co-operation in economic activity. Are the basic ones covered in Selection 2? How would this selection serve as a manual of management?
16. What were (or what would you think might have been) the essential characteristics of the system of industrial education necessary for the worker (*a*) in the Greek state, (*b*) under the medieval craft gild régime? Did it include training in "citizenship"? what kind of training? Contrast with the needs and character of industrial education today.
17. "There have been, generally speaking, three basic assumptions on which industry has been organized by various peoples at various times: (1) organization of the industry by the workers for their benefit, (2) organization of the industry by and for the community as a whole, (3) organization in terms of financial success, on the supposition that the community would benefit indirectly." Do you agree with the classification? Give an example of each type.
18. "Men in industry are influenced not by economic environment alone, but by a thousand other things—religion, family ties, all social relationships. Why confine a study of the human aspects of industry to industrial organization? It should include all of life." What is the answer?

CHAPTER V

THE WORKER AND THE COMING OF CAPITALISM

The purpose of the present chapter is to sketch in broad outline some of the main characteristics of modern economic organization in the light of their more immediate origins, with chief emphasis on the changes which have taken and are taking place in the relations between the men and groups of men engaged in industry. As in the preceding chapter, these selections should be regarded as a series of comparative glimpses; not as a history. The aim is an analysis of the present, not primarily a study of the past. For an adequate account of the period covered, roughly 1750 to the present day, the student is referred to the list of books for further reading given at the end of this chapter.

An effort has been made to present industry as in continual process of change: a process which is going on today and which will continue in the future. It would of course be possible to secure valuable contributions to an understanding of modern economic organization far back in the feudal period and beyond, but for present purposes it will be sufficient to confine attention largely to the more rapid changes which have developed since 1750, the date which Toynbee assigned as the beginning of "the Industrial Revolution." The present survey must, however, necessarily cover a much wider field than the particular period and the particular phenomena to which that apt phrase was originally applied.

Economic and industrial change from 1750 to the present day may be regarded as fourfold in character: embracing changes in technique, methods, and processes; changes in internal organization; changes in commercial and financial organization; changes in dominant social and economic ideas. It will be realized that this is a separation for convenience only, since the four are closely interrelated and are, in fact, simply different aspects of the one complex whole. Changes in the market become responsible for changes in technique, and vice versa; both lead to changes in internal organization; all help to change ideas, which in turn lead to new changes in organization.

Note, for example, the far-reaching influence of the outstanding fact of the nineteenth century: the growth and development of

scientific thought, or perhaps more accurately what we know as the scientific attitude of mind. It can be regarded truthfully as the creator of machine industry. Machine industry, resulting in instruments of precision, made possible the further development of science. Both, through the steamship and telegraph, made possible the world market; both have profoundly affected men's minds and social ideas. There is no water-tight compartment separation in fact.

For purposes of analysis, none the less, it has seemed convenient to arrange the material in rough correspondence with this fourfold classification rather than in terms of chronology. Each part should suggest enough chronological sequence to prevent confusion. Although the material deals in large part with English development, it is with that development as representative of the general experience of the western world. Certain peculiarly American features will be presented in chapter vi to follow.

The general arrangement of the materials of the present chapter is, then, as follows:

Section A (*The Transition*) serves as an introductory sketch of the changes in the internal organization of industry which accompanied the break-up of gild economy, the widening of the market, and the beginnings of capitalist economy before the coming of the machine. (Selections 1–3.) Selection 4 presents a panoramic sketch of the complex ramifications of the mechanical changes of the late eighteenth and early nineteenth centuries, together with some suggestions as to their effects on population and its distribution.

Section B (*The Worker and the New Technique*) turns to the more purely technological aspects of industry. Selection 5*a* gives Marx's classic analysis of the change from a rule-of-thumb to a scientific technique, and the transfer of skill from the worker to the machine. This is followed in 5*b* by a modern American study of the influence of the machine. The two citations in Selection 6 deal with some indirect effects of machine technique on modern life. Selection 7 looks back at some of the changes in the life of the operative which the machine brought with it in its early incidence.

Section C (*The Worker and the New Commercial Organization*) looks at industrial evolution from the commercial and pecuniary aspect. Selection 8 (in *a*) develops the relationship between mechanical transport, the growth of the market, and the rise of towns, and (in *b*) shows the occupational shifts which have attended these changes. Selection 9 pictures (in *a*) the complexity and interdependence of

the pecuniary market society of today, and (in *b*) suggests the change in the meaning of "capitalism" and in the terms "capital" and "labor" which have taken place since they were first employed.

Section D (*The Change in Social Ideas*) suggests very briefly something of the change in social thought which has accompanied the changes developed in the other three sections.

A. The Transition

1. THE BEGINNINGS OF THE REVOLUTION[1]

We turn now to the beginnings of the modern industrial period. Although the institution of apprenticeship continued in England with slight change down to the days of Adam Smith, modifications in the organization of industry began to appear as early as the sixteenth century.

"In the earlier craft gilds," says Cheyney, in his *Industrial and Social History of England*, "each man had normally been successively an apprentice, a journeyman, and a full master craftsman, with a little establishment of his own and full participation in the administration of the fraternity. There was coming now to be a class of artisans who remained permanently employed and never attained to the position of master craftsmen. This was sometimes the result of a deliberate process of exclusion on the part of those who were already masters."

This process stimulated the formation of separate journeymen gilds, whose relations with the masters were often represented by written agreements between the two groups. The result was the gradual development of distinct dominant and subordinate classes within the gild structure. There was also a continuous pressure from within the gild by the more adventurous masters desirous of breaking down gild regulations and attacking gild monopoly privileges. Gild control seems to have degenerated more and more as time went on into a rigid rule by small and influential cliques, stimulating natural resentment and jealousy among the lesser members.

Furthermore, national and world-events conspired from without to break up the gild economy. The development of highways and better methods of communication, with the growth of national as against local political control (as typified especially by the reign of Elizabeth) made for a more national economy with legislative regulation growing in importance. Agrarian changes, taking place largely

[1] Prepared.

as a result of the expansion of the market for wool, assisted powerfully through the sixteenth and seventeenth[1] centuries in changing the country from a rustic to an urban community by breaking up manorial life and sending the dispossessed classes to the towns.

Wholesale manufacture began to come into being, at first, of course, without more than the rudimentary use of machinery. "In the factory of van Robais as many as 1,692 workpeople were employed before the end of the seventeenth century. Many workers no longer lived or worked with their masters, and these were beginning to form a class apart. As yet, however, the divorce of man from master was the exception rather than the rule. Though, even in the time of Adam Smith, by far the greater number of the manufacturers, artisans, or handicraftsmen worked for a master, the usual workshop was but a small affair employing anything from two to a dozen hands. In such places master and man worked together."[2]

Behind all this lay the growth of the world-market.

"The discovery of America," says the *Communist Manifesto*, "the rounding of the Cape, opened up fresh ground for the rising bourgeoisie. The East-Indian and Chinese markets, the colonisation of America, trade with the colonies, the increase in the means of exchange and in commodities generally, gave to commerce, to navigation, to industry, an impulse never before known, and thereby, to the revolutionary element in the tottering feudal society, a rapid development.

"The feudal system of industry, under which industrial production was monopolised by close guilds, now no longer sufficed for the growing wants of the new markets. The manufacturing system took its place. The guild-masters were pushed on one side by the manufacturing middle-class; division of labour between the different corporate guilds vanished in the face of division of labour in each single workshop.

"Meantime the markets kept ever growing, the demand ever rising. Even manufacture no longer sufficed. Thereupon, steam and machinery revolutionised industrial production. The place of manufacture was taken by the giant Modern Industry, the place of the industrial middle-class, by industrial millionaires, the leaders of whole industrial armies, the modern bourgeoisie.

[1] Although the first Enclosure Act was passed in 1606, the Enclosure movement had been going on all through the sixteenth century and before.

[2] Gilbert Stone, *A History of Labour*, p. 151.

"Modern Industry has established the world-market, for which the discovery of America paved the way. This market has given an immense development to commerce, to navigation, to communication by land. This development has, in its turn, reacted on the extension of industry; and in proportion as industry, commerce, navigation, railways extended, in the same proportion the bourgeoisie developed, increased its capital, and pushed into the background every class handed down from the Middle Ages."

2. THE NEW DIFFERENTIATION OF CLASSES[1]

On the small stage of the town economy the mediaeval master craftsman contrived to combine quite a number of parts, each of which demands, nowadays, the concentrated attention of several classes of specialists. The first separation arose from the fact that as the master craftsman found more scope for his activity as a foreman, an employer, a merchant, and a shopkeeper, he left the manual labour entirely to his journeymen and apprentices. Since the extension of these other functions involved the possession of more capital and more ability than are at the command of the average journeyman, only a favoured few could hope to become masters, and the rest came to form a separate body of workmen. As the interest of these journeymen was no longer represented by the master's gild, they sought to form an organization of their own, which in England was known as the Yeomanry. The development so far may be graphically represented thus:

Craftsman=
Workman+Foreman+Employer+Merchant+Shopkeeper
(Early Gild)

Trading Master=
F+E+M+S
(Later Gild)

Journeyman=W
(Yeomanry Organization)

But this early separation of the workman's function was not permanent. As the volume of his trade increased, the further development of the master's activity as employer, merchant, and shopkeeper, left him no time to act as foreman to his workmen; and since the journeyman was now a married man and a householder, it was pos-

[1] Adapted with permission from George Unwin, *Industrial Organization in the Sixteenth and Seventeenth Centuries*, pp. 10–13. (The Clarendon Press, 1904.)

sible to save much of the labour of superintendence by giving him piecework to do in his own home. In this way the journeyman was raised to the dignity of a small master and in addition to the part of workman he now undertook the part of foreman to journeymen and apprentices of his own, who expected in due course to be small masters themselves, and did not therefore form a separate class. The redistribution of functions may be represented thus:

Merchant Employer = M+S+E Small Master = F+W

The next stage of development was somewhat more complicated. In the first place some of the small masters acquired capital enough to supply themselves with material. As long as this was only sufficient for a hand-to-mouth kind of existence they continued to be economically dependent on the trader who found them a market, but as their capital increased and they grew from small masters to large masters, they were able to deal with him on a more equal footing. The new capital thus built up was not employed primarily in trading, but in bringing together a greater number of workmen, belonging sometimes to different branches of a manufacture, and thus organizing industry upon a larger scale. In this way the function of the employer was passing out of the hands of the trading capitalist into those of the industrial capitalist. If the large master had covered the whole field of industry, the journeyman would now have been in the position of the modern wage-earner, restricted to the function of workman. But the class of small masters, whether employed by the large master or the trader, was still very numerous, and afforded a fairly easy alternative to the discontented or ambitious journeyman. When it is added that besides the trader, who had ceased to be an employer, there was also growing up a class of merchants who confined themselves to the larger operations of commerce, it will be seen that the range of classes at this point may be expressed roughly as follows:

Large Merchant	Large and Small Shopkeepers	Merchant Employer	Large Master	Small Master	Journeyman
M	M+S	M+E	E+F	F+W	W

The process of class formation so far described covered a period of at least four centuries, i.e., from the end of the thirteenth to the end of the seventeenth century. It is unnecessary for the present purpose to follow the development further in detail. To indicate its

broad results will be sufficient. The great inventions of the eighteenth century accelerated the movement already in progress towards the capitalization of industry, the final outcome of which was the modern factory system. In most of the leading industries the small master was driven to enter the wage-earning class, whilst the large master was transformed into the modern capitalist employer, who leaves the internal and technical affairs of his business largely to the management of subordinates in order that he may devote himself more fully to its relations with the outer business world. Nowadays the functions of employer, foreman, and workman belong to entirely separate classes; and, indeed, to say merely this is very far from expressing the degree of specialization that has taken place in the internal economy of the great industrial concern.

3. SUBSEQUENT CHANGES IN THE INTERNAL ORGANIZATION OF INDUSTRY[1]

In the study of the composition of capital, labour, and direction in a business, the following are points of dominant importance:

Capital
- *a*) The ownership of the raw material.
- *b*) The ownership of the tools and sources of non-human power.
- *c*) The ownership of the workplace.

d) The labour-power.
e) The work of superintendence and management.
f) The work of marketing.

In other words, in the operation of an industrial business, an employer organises and directs the application of labour-power working with tools upon raw materials in a workshop or factory, and sells the product. Now all these six functions may be combined in a single person or family, or they may be divided in various ways among two or many persons. The simplest form of manufacturing business would be one in which an industrial family, growing or buying the materials and tools, and working with the power of their own bodies in their own home, under the direction of the head of the household, produce commodities, partly for their own consumption, partly for a small local market.

Omitting all consideration of the virtually self-sufficing economy of the farmers and cottagers who, producing food, clothing, etc., for

[1] Adapted with permission from J. A. Hobson, *Evolution of Modern Capitalism*, pp. 55–62. (Charles Scribner's Sons, 1912.)

their own consumption, cannot rank as business-units for our purposes, we find even in eighteenth-century England a large number of town and rural industries in which the differentiation from the primitive type has only just begun.

The simplest structure of "domestic" manufacture is that in which the farmer-manufacturer is found purchasing his own material, the raw wool or flax if he is a spinner, the warp and weft if he is a weaver, and, working with his family, producing yarn or cloth which he sells himself, either in the local market or to regular master-clothiers or merchants. The mixed cotton weaving trade was in this condition in the earlier years of the eighteenth century. "The workshop of the weaver was a rural cottage, from which, when he was tired of sedentary labour, he could sally forth into his little garden, and with the spade or the hoe tend its culinary productions. The cotton-wool which was to form his weft was picked clean by the fingers of his younger children, and was carded and spun by the elder girls, assisted by his wife, and the yarn was woven by himself, assisted by his sons."

The weak point in this economy lay in the trouble and uncertainty of marketing the product. It was here that the merchant, who represents the earliest form of industrial capitalism, presses in upon the self-employing artisan-capitalist.

This stage, where the workman receives his "orders" and his "materials" from another, while retaining the disposal of his labour-power and working with his own tools in his own home or workplace, prevailed widely in the textile industries of rural England.

The condition of the cotton-trade in Lancashire about 1750 illustrates most clearly the transition from the independent weaver to the dependent weaver. So far as the linen warp of his fabric was concerned he had long been in the habit of receiving it from the larger "manufacturer" in Bolton or in Manchester, but the cotton yarn he had hitherto supplied himself, using the yarn spun by his own family or purchased by himself in the neighborhood. The difficulty of obtaining a steady, adequate supply, and the waste of time involved in trudging about in search of this necessary material, operated more strongly as the market for cotton goods expanded and the pressure of work made itself felt. It was this pressure which we shall see acting as chief stimulus to the application of new inventions in the spinning trade. In the interim, however, the habit grew of receiving not only linen warp but cotton weft from the merchant or middleman.

Thus the ownership of the raw material entirely passed out of the weaver's hands though he continued to ply his domestic craft as formerly. This had grown into the normal condition of the trade by 1750.

When the raw material is given out to an artisan by a merchant or another manufacturer there is a clear loss of independence, especially when this step is followed by the letting out of tools or machines. In London, as early as the thirteenth century, big master-weavers seem to have hired out looms to small weavers. Similarly in the stocking-trade, at a much later period, "frames" as well as material were let out by merchants to the workers, who continued to work in their own homes.

Two further steps remained to be taken in the transition from the "domestic" to the "factory" system, the one relating to the ownership of "power," the other to the workplace: (*a*) the substitution of extra-human power owned by the employer for the physical power of the worker; (*b*) the withdrawal of the workers from their homes, and the concentration of them in factories and workplaces owned by the capitalists.

Although these steps were not completely taken until the age of steam had well set in, before the middle of the eighteenth century there were found examples of the factory, complete in its essential character, side by side and in actual competition with the earlier shapes of domestic industry.

Thus by a series of economic changes the several functions of the independent craftsman have been taken from him, until he is left in possession of his labour-power alone, which he must sell to an employer who furnishes materials, tools and machinery, workplace, and superintendence, and who owns and markets the production of his labour. From a free craftsman he has passed into a "hired hand."

Regarding the business as a combination of labour and capital, we perceive that one strongly distinctive characteristic of the pre-machinery age is the small proportion which capital bears to labour in the industrial unit. It is this fact that enabled the "domestic" worker to hold his own so long in so many industries as the owner of a separate business. So long as the mechanical arts are slightly developed and tools are simple, the proportion of "fixed capital" to the business is small and falls within the means of the artisan who plies his craft in his home. So long as tools are simple, the processes of manufacture are slow, therefore the quantity of raw material and other

"circulating capital" is small and can also be owned by the worker. The growing divorcement in the ownership of capital and labour in the industrial unit will be found to be a direct and most important result of those improvements in mechanical arts which, by continually increasing the proportion of capital to labour in a business, placed capital more and more beyond the possession of those who supplied the labour power required to co-operate in production.

4. THE ADVENT OF THE MACHINE AND ITS INFLUENCE ON THE WORLD-COMMUNITY

a) THE GREAT INVENTIONS[1]

Steam in its turn created a new demand for iron. To make machines, iron tools, steam hammers, etc., were needed, and large and entirely new branches of industry developed, viz., engineering shops to make machines. But masses of iron ore could never have reached coal in sufficient quantities had not new methods of transport been utilized, and these new methods of transport—the railway and the steam ship—began in their turn to make fresh demands on iron and coal; iron for locomotives, rails, and parts of coaches and wagons, iron for marine engines, and iron for the ship itself; coal for the locomotives and engines of both. In addition to this there were great demands for iron for renewals of machinery, railway rolling stock and new ships.

The population, therefore, continued to mass in the region of the coal and iron areas, extending outwards as railways extended the distribution of pig-iron and coal.

Apart from special and exceptional circumstances, industry in Europe and the United States tends to grow up within easy railway access to the great coal areas and on these areas the population is massed in towns.

The so-called "industrial revolution" comprised six great changes or developments all of which were interdependent. It involved in the first place the development of engineering. Engineers[2] were required to make and repair the steam engines, to make machinery for the textiles, to make machinery for lifting coal out of the pit, to make machine tools and locomotives. The only engineers before the

[1] Adapted with permission from L. C. A. Knowles, *The Industrial and Commercial Revolutions in Great Britain during the Nineteenth Century*, pp. 18–25. (E. P. Dutton & Co., 1921.)

[2] The American equivalent for "engineer" (English usage) is "mechanic" or "machinist."

middle of the eighteenth century were men who repaired the mechanism of the flour mills—the millwrights; the iron workers were blacksmiths. Skilled engineers had to train themselves from the beginning by learning as they went on. Engineering, however, depended on the iron-founders. Unless the iron was smelted in quantities and of sufficiently good quality the engineers could not get material on which to work, so that a revolution in iron-making was the second development which almost necessarily preceded machinery. The iron works in both England and France before 1750 were little local forges scattered all over the country, partly to get wood for smelting, partly to avoid the difficult transport of bulky awkward articles like iron goods when roads were only earthen tracks. But the iron-founders would not have been able to concentrate and develop their works on a large scale had not a large demand existed for iron for steam engines, machinery and other factory equipment.

The third change came when mechanical devices moved by water or steam power were applied in the textiles. They began in the simple operation of spinning. This created a surplus of yarn and a weaving machine was gradually adopted to use up the yarn. The inventions started in cotton, spread to wool, then to flax and to silk.

A fourth development then became necessary. The bleaching, dyeing, finishing or printing processes had all to be accelerated or transformed to keep pace with the output of the piece goods and this meant the creation of the great chemical industries. They in their turn required engineering plant with a consequent reaction on the metallurgical industries which were already experiencing a fresh demand owing to the adoption of iron machinery in the textiles. Indeed the tendency of the textiles to develop in the neighborhood of the iron works was very marked because then they could get their machinery repaired.

Engineering, iron-founding, textile machinery and industrial chemistry all hinged ultimately on coal. The great development of coal mining is the fifth great change comprised in the term "industrial revolution." Coal in the form of coke was needed by the blast furnaces to smelt the iron ore into the cohesive form known as pig-iron; coal was needed to re-smelt the pig-iron and cast it into the form in which it was required by the engineers; it was needed for the new motive power—steam. Coal could not, however, have been obtained from the pits in sufficient quantities had not the engineers devised and made a steam engine which pumped the water out of the mines.

Each of these series of inventions depended in turn on the others and the reason for their spread in the nineteenth century lies in the fact that they all reached a point in the eighteenth where they could be utilized together so that they reacted on and stimulated each other. It is no accident, however, that they should have developed in Great Britain soon after the founding of the Bank of England in 1694. Capital had to be accumulated in sufficient quantities to allow of the expensive preliminary works to be undertaken and the experiments applied on a large scale.

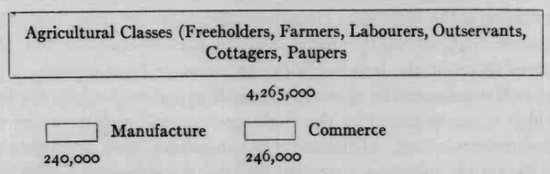
Finally the mass production by machinery in factories, of iron in blast furnaces, the development of great engineering and chemical works and the growth of coal mining could not have attained their present overwhelming importance had there not been a corresponding development in the means of transport which facilitated the movement of food to feed the population gathered on the coal and iron areas, which enabled the transference of the vast quantity of fuel and raw materials, cotton, wool, oils, fibres, timber, ores and chemicals required to feed the factories, and which was instrumental in distributing the vast bulk of the manufactured articles.

The industrial revolution, as a matter of fact, falls into two epochs corresponding to the means of transport at each period. The first phase coincides with an improvement in roads and inland water-ways. With the railways and steamships the transformation proceeded at an enormously accelerated pace and a second phase of the industrial revolution began.

See also Selection 5*b*, chapter vi, "The Development of the Steel Industry."

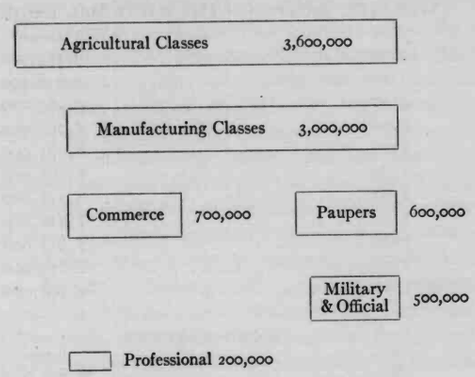
b) OCCUPATIONAL ESTIMATES OF ENGLISH POPULATION IN 1688 AND 1769[1]

KING'S ESTIMATE OF THE POPULATION, 1688



[1] Taken with permission from John A. Hobson, *The Evolution of Modern Capitalism*, p. 42. (Charles Scribner's Sons, 1912.)

YOUNG'S ESTIMATE, 1769



c) ENGLISH POPULATION IN MINING AND MANUFACTURING AREAS, 1851–1901[1]

The growth of the population in England and Wales in the mining and manufacturing area may be seen from the following table (0000's omitted):

Date	Total Population (United Kingdom)	Mining Northern Counties	Manufacturing Midland	Rest of England and Wales excluding the County of London
1851	27.37	451	276	829
1861	28.93	529	364	953
1881	34.88	757	427	1030
1891	37.73	862	489	1126
1901	41.46	976	568	1255

It will be noticed that the population doubled in fifty years in the mining and manufacturing regions, while the rest of the United Kingdom only increased 50 per cent.

[1] Adapted with permission from Arthur L. Bowley, *An Elementary Manual of Statistics*, p. 89. (P. S. King & Son, Ltd., 1910.)

d) POPULATION OF ENGLAND AND WALES, 1700–1911[1]

ESTIMATES BASED ON THE BAPTISMAL REGISTERS

Year	Persons
1700	5,475,000
1710	5,240,000
1720	5,565,000
1730	5,796,000
1740	6,064,000
1750	6,467,000
1760	6,736,000
1770	7,428,000
1780	7,953,000
1790	8,675,000
1800	9,168,000

CENSUS RETURNS

Year	Persons
1801	8,892,000
1811	10,164,000
1821	12,000,000
1831	13,896,000
1841	15,914,000
1851	17,927,000
1861	20,066,000
1871	22,712,000
1881	25,974,000
1891	29,002,000
1901	32,527,000
1911	36,070,000

See also Selection 8: The Commercial Revolution and Population.

B. The Worker and the New Technique

5. SKILL AND THE MACHINE

a) SCIENCE SUCCEEDS RULE OF THUMB[2]

All fully developed machinery consists of three essentially different parts, the motor mechanism, the transmitting mechanism, and finally the tool or working machine. An organized system of

[1] Taken from *Abstract of the Answers and Returns* (Census 1821), *Preliminary Observations*, p. xxix. The figures differ somewhat from figures published in 1831.

[2] Adapted with permission from Karl Marx, *Capital*, pp. 407, 416–22, 459–60. (Charles H. Kerr & Co., 1909. Translated from Third German Edition.)

machines, to which motion is communicated by the transmitting mechanism from a central automaton, is the most developed form of production by machinery. Here we have, in the place of the isolated machine, a mechanical monster whose body fills whole factories, and whose demon power, at first veiled under the slow and measured motions of his giant limbs, at length breaks out into the fast and furious whirl of his countless working organs.

As inventions increased in number, and the demand for the newly discovered machines grew larger, the machine-making industry split up, more and more, into numerous independent branches, and division of labour in these manufactures was more and more developed. Here, then, we see in Manufacture the immediate technical foundation of Modern Industry. Manufacture[1] produced the machinery by means of which Modern Industry abolished the handicraft and manufacturing systems in those spheres of production that it first seized upon. The factory system was therefore raised, in the natural course of things, on an inadequate foundation. When the system attained to a certain degree of development, it had to root up this ready-made foundation, which in the meantime had been elaborated on the old lines, and to build up for itself a basis that should correspond to its methods of production. Just as the individual machine retains a dwarfish character so long as it is worked by the power of man alone, and just as no system of machinery could be properly developed before the steam engine took the place of the earlier motive powers, animals, wind, and even water; so, too, Modern Industry was crippled in its complete development so long as its characteristic instrument of production, the machine, owed its existence to personal strength and personal skill, and depended on the muscular development, the keenness of sight, and the cunning of hand, with which the detail workmen in manufactures, and the manual labourers in handicrafts, wielded their dwarfish implements.

Thus, apart from the dearness of the machines made in this way, a circumstance that is ever present to the mind of the capitalist, the expansion of industries carried on by means of machinery, and the invasion by machinery of fresh branches of production, were dependent on the growth of a class of workmen, who, owing to the almost artistic nature of their employment, could increase their numbers only gradually, and not by leaps and bounds. But besides this at a certain stage of its development, Modern Industry became technologically

[1] "Manufacture" is here used in its literal sense, "making by hand"—Ed.

incompatible with the basis furnished for it by handicraft and Manufacture. The increasing size of the prime movers, of the transmitting mechanism, and of the machines proper, the greater complication, multiformity and regularity of the details of these machines, as they more and more departed from the model of those originally made by manual labour, and acquired a form, untrammelled except by the conditions under which they worked, the perfecting of the automatic system, and the use, every day more avoidable, of a more refractory material, such as iron instead of wood—the solution of all these problems, which sprang up by the force of circumstances, everywhere met with a stumbling-block in the personal restrictions which even the collective labourer of Manufacture could not break through, except to a limited extent. Such machines as the modern hydraulic press, the modern powerloom, and the modern carding engine could never have been furnished by Manufacture.

Modern Industry had therefore itself to take in hand the machine, its characteristic instrument of production, and to construct machines by machines. It was not till it did this, that it built up for itself a fitting technical foundation, and stood on its own feet. The implements of labour, in the form of machinery, necessitate the substitution of natural forces for human force, and the conscious application of science, instead of rule of thumb.

Along with the tool, the skill of the workman in handling it passes over to the machine. The capabilities of the tool are emancipated from the restraints that are inseparable from human labour-power. Thereby the technical foundation on which is based the division of labour in Manufacture is swept away. Hence, in the place of the hierarchy of specialised workmen that characterises manufacture, there steps, in the automatic factory, a tendency to equalise and reduce to one and the same level every kind of work that has to be done by the minders of the machines; in the place of the artificially produced differentiations of the detail workmen, step the natural differences of age and sex.

So far as division of labour re-appears in the factory, it is primarily a distribution of the workmen among the specialised machines; and of masses of workmen, not however organized into groups, among the various departments of the factory, in each of which they work at a number of similar machines placed together; their co-operation, therefore, is only simple. The organised group, peculiar to manufacture, is replaced by the connexion between the head workman

and his few assistants. The essential division is, into workmen who are actually employed on the machines (among whom are included a few who look after the engine), and into mere attendants (almost exclusively children) of these workmen. Among the attendants are reckoned more or less all "Feeders" who supply the machines with the material to be worked. In addition to these two principal classes, there is a numerically unimportant class of persons, whose occupation it is to look after the whole of the machinery and repair it from time to time; such as engineers, mechanics, joiners, etc. This is a superior class of workmen, some of them scientifically educated, others brought up to a trade; it is distinct from the factory operative class, and merely aggregated to it. This division of labour is purely technical.

b) THE IRON MAN[1]

First, the man and the beast; then, the man and the hand-tool; now, the man and the machine-tool!

This is the century of the automatic machine. The social problem is to accommodate the use of automatic machinery to the well-being of the masses; our political problem is to avert class and state wars growing out of quarrels over the profits, powers, and privileges accruing through the production and marketing of goods. Much of our modern heart-searching, if intelligently directed, leads down to the Iron Man at the base of the industrial structure. He claims the twentieth century as his; the social and economic forces that he releases are those most likely to carry on into the future the reality of our day.

"Machine-tools may be classified in two main groups: those which lengthen and strengthen the arm of the worker without displacing his will as the vital function of work, and those whose principal function is to supplant the worker, or to reduce his function to a minimum."

An example of the first class is the jib crane. The operator must direct the machine; his mind must work with his muscle precisely as his forbears had to apply both mind and muscle to their simple levers.

In the second class, the ability to do the work is a primary function of the machine itself, and inherent in the mechanism. Designed to accomplish its task independent of human direction, the attendant

[1] Adapted with permission from Arthur Pound, *The Iron Man in Industry*, pp. 1–8, 14–16, 22–24, 41–46, 34. (Atlantic Monthly Press, 1922.)

need not know the necessary steps that the machine takes in doing the work. He need not know how to repair it in case of a jam: that is another man's job. All the attendant is required to do is to feed the machine with material and relieve it of produce. Even starting and stopping the machine may be done by another, so minutely is the work-function divided.

Of course, there are varying degrees of completeness in the application of the self-functioning principle to machinery. Some machines are nearly automatic. The pneumatic riveter, for instance, requires skill for its operation, but the technique is more easily attained than that of the hand-riveter. However, the trend toward complete automatization is strong and steady throughout industry.

The war, with its insistent demand for quantity and its terrible drain upon labor-power, immensely stimulated the development of the Iron Man. Shifting the industrial function from the man to the machine produced, and is still producing, corresponding shifts in other fields of action. The balance of economic power was disturbed, with consequent notable reactions upon society, precisely as the political structure of the globe shakes whenever the economic balance of power is upset.

Transferring the vital function of production from the operative to the machine involves taking a certain skill away from the rank and file and concentrating it in the directing and organizing end of industry. The heats of competition, playing through machine improvements, evaporate skill from the lower reaches of industry and distill it in the upper reaches. Fewer producers need skill; but those few require much longer training and more highly intensified mental powers. It is up to them, not only to design, build, place, and adapt machines to involved tasks, but also to work out systems under which the production of those machines can be coordinated and the produce distributed.

To fit an automatic machine for its production-cycle requires high skill in tool-designing and pattern-making. Head and hand must work together; jigs and dies must be of the utmost precision. The number of skilled workmen required for this task is small compared to the whole number of industrial employees; but the group is of key importance. In the past, these men were trained under the apprentice system; but that system being in decline, industrial executives are greatly concerned for the future supply of such craftsmen. They look to public education to guard against a famine of skilled artisans, and such is their influence, that they are not likely

to look in vain. The call of industry has been answered already by the establishment of technical high-schools and colleges in many industrial cities as well as by the erection of private trade-schools. In desperation some employers have established their own trade-schools, but the outlook is that public education, thus challenged, will take up the burden of providing industry with skilled mechanics. Once adequate facilities are provided, we may look with assurance for the greater mental interest attaching to that work to provide candidates in abundance, and so increase the number of qualified men to the point where the pay shall approach that of the machine-tender—always being enough more, presumably, to make up for the time and cost of training.

Let us examine the effect of automatic and semi-automatic machinery upon the minds of its attendants—the mill operatives. Such machines make relatively small demands upon the wits of their companions, the operative's job is more passive, mentally, than active. Once his limited function is learned, once the man knows how to place standardized material in proper, predetermined fashion, he can earn his pay without further mental effort. He must be attentive, must "dot and carry one" exactly so, because the machine is valuable, and failure to move when and as directed may cost his employer more in spoilage than the operative's yearly wage. The man is not so much driven, as paced; his usefulness depends upon his never failing the strident call of the Iron Man. He nurses his charge, feeds it, relieves it of produce, and perhaps makes slight repairs in a jam. But, if the case is serious, he calls a machinist, just as an infant's nurse calls for the physician in emergency.

Assembling of interchangeable machined parts proceeds, in efficient plants, with almost equally minute division of function. Your automobile frame, let us say, is hoisted so that it may acquire axles. Then it moves along a conveyer, before gangs of men, each of whom performs thereon a certain specified task for which just so much time is allowed, because the conveyer moves at a fixed rate of speed, and each gang is allotted a space alongside, and moves forward and back in that space as the conveyer works. One attaches the right front-wheel; another the left rear-wheel; a third tightens certain screws with a pneumatic wrench. Let a single human fail in his assignment, and rather than permit that delay to clog the whole line of cars in process, the lagging unit is pulled out of line, to await the next shift. Thus, within an hour from the time a naked frame starts down the

assembly line, a shrewd and swiftly moving division of labor has completed thereon a finished motor-car, capable of moving to the loading docks under its own power. Its power-plant has been both painted and dried within the hour.

In that swift progress hundreds of men have worked upon each car, combining into effectiveness the work of other thousands, whose produce is brought up by truck from storerooms and source-factories, and rushed into assigned positions. Each man performs the same task over and over: tightens identical nuts, lifts identical parts off a rack, and applies each one of them precisely to a something that is exactly like its predecessor to the thousandth of an inch. This accurate, monotonous toil goes on swiftly, amid hissing air-valves and paint-streams, roar of drying ovens, clatter of tools, thunder of trucks arriving and departing. As evidence of the organizing faculty in master minds, as a study in unity and synchronized power over divers beings and things, the action is impressive, in totality almost beautiful; but for its individual contribution it leaves something to be desired as an expression of the art of life. Not altogether for this, surely, is man made.

Some of these operations involve much muscular effort, others little; but whether little or much, each operative uses the same set of muscles, for approximately the same length of time, in each repetition of his assigned operation. Roustabouts enjoy far more of the luxury of variety in toil than machine tenders in automatized factories.

In general, machine-production of goods involves less muscular and sensory strain than that put forward under the handicraft system. Fatigue in industrial workers must be ascribed more to monotony in movement and problem than to foot-pounds of energy expended. One may use merely his finger-tips feeding metal discs into a machine, and yet be as weary in the evening as if he had been swinging an axe. The lumberjack's weariness is an all-round fatigue, and he is ready for bed at sundown; whereas industrial workers seem moved to abnormal activity after working hours. My fellow citizens, most of whom work in factories where the industrial function is minutely divided, and where machines set the pace, display astonishing energy in after-work pursuits. The married men reestablish their equilibrium by gardening prodigiously, and tinkering furiously around their homes —a socially satisfactory adjustment. The homeless rush hither and thither by motor when they are flush; or wander aimlessly around the streets when they are broke. Books and quiet conversation are a

bit too tame for men who feel that, while they get their livings in the shop, they must live their lives outside the shop.

6. SOME INDIRECT EFFECTS OF MACHINE TECHNIQUE

a) THE REIGN OF STANDARDIZATION[1]

Standard physical measurements are of the essence of the machine's régime. The modern industrial communities show an unprecedented uniformity and precise equivalence in legally adopted weights and measures. Something of this kind would be brought about by the needs of commerce, even without the urgency given to the movement for uniformity by the requirements of the machine industry. But within the industrial field the movement for standardization has outrun the urging of commercial needs, and has penetrated every corner of the mechanical industries. The specifically commercial need of uniformity in weights and measures of merchantable goods and in monetary units has not carried standardization in these items to the extent to which the mechanical need of the industrial process has carried out a sweeping standardization in the means by which the machine process works, as well as in the products which it turns out.

Tools, mechanical appliances and movements, and structural materials are scheduled by certain conventional scales and gauges; and modern industry has little use for, and can make little use of, what does not conform to the standard.

The materials and moving forces of industry are undergoing a like reduction to staple kinds, styles, grades, and gauge. Even such forces as would seem at first sight not to lend themselves to standardization, either in their production or their use, are subjected to uniform scales of measurement; as, e.g., water-power, steam, electricity, and human labor. The latter is perhaps the least amenable to standardization, but, for all that, it is bargained for, delivered, and turned to account on schedules of time, speed, and intensity which are continually sought to be reduced to a more precise measurement and a more sweeping uniformity.

The like is true of the finished products. Modern consumers in great part supply their wants with commodities that conform to certain staple specifications of size, weight, and grade. The consumer (that

[1] Adapted with permission from Thorstein Veblen, *The Theory of Business Enterprise*, pp. 8–14. (Charles Scribner's Sons, 1904.)

is to say the vulgar consumer) furnishes his house, his table, and his person with supplies of standard weight and measure, and he can to an appreciable degree specify his needs and his consumption in the notation of the standard gauge. As regards the mass of civilized mankind, the idiosyncrasies of the individual consumers are required to conform to the uniform gradations imposed upon consumable goods by the comprehensive mechanical processes of industry. "Local color," it is said, is falling into abeyance in modern life, and where it is still found it tends to assert itself in units of the standard gauge.

For the population of the towns and cities, at least, much the same rule holds true of the distribution of consumable goods. So, also, amusements and diversions, much of the current amenities of life, are organized into a more or less sweeping process to which those who would benefit by the advantages offered must adapt their schedule of wants and the disposition of their time and effort. The frequency, duration, intensity, grade, and sequence are not, in the main, matters for the free discretion of the individuals who participate. Throughout the scheme of life of that portion of mankind that clusters about the centers of modern culture the industrial process makes itself felt and enforces a degree of conformity to the canon of accurate quantitative measurement. There comes to prevail a degree of standardization and precise mechanical adjustment of the details of everyday life, which presumes a facile and unbroken working of all those processes that minister to these standardized human wants.

b) THE INFLUENCE OF MECHANICAL COMMUNICATION[1]

The changes that have taken place since the beginning of the nineteenth century are such as to constitute a new epoch in communication, and in the whole system of society. If one were to analyze the mechanism of intercourse, he might, perhaps, distinguish four factors that mainly contribute to its efficiency, namely: expressiveness, or the range of ideas and feelings it is competent to carry; permanence of record, or the overcoming of time; swiftness, or the overcoming of space; diffusion, or access to all classes of men.

In the United States, for instance, at the close of the eighteenth century, public consciousness of any active kind was confined to small localities. Travel was slow, uncomfortable and costly, and people undertaking a considerable journey often made their wills beforehand.

[1] Adapted with permission from Charles Horton Cooley, *Social Organization*, pp. 80–83. (Charles Scribner's Sons, 1919.)

The newspapers, appearing weekly in the larger towns, were entirely lacking in what we should call news; and the number of letters sent during a year in all the thirteen states was much less than that now handled by the New York office in a single day. People are far more alive today to what is going on in China, if it happens to interest them, than they were then to events a hundred miles away. The isolation of even large towns from the rest of the world, and the consequent introversion of men's minds upon local concerns, was something we can hardly conceive. In the country "the environment of the farm was the neighborhood; the environment of the village was the encircling farms and the local tradition; . . . . few conventions assembled for discussion and common action; educational centers did not radiate the shock of a new intellectual life to every hamlet; federations and unions did not bind men, near and remote, into that fellowship that makes one composite type of many human sorts. It was an age of sects, intolerant from lack of acquaintance."

The change to the present régime of railroads, telegraphs, daily papers, telephones and the rest has involved a revolution in every phase of life; in commerce, in politics, in education, even in mere sociability and gossip—this revolution always consisting in an enlargement and quickening of the kind of life in question.

See also Selection 4, chapter vi: Transportation and Communication in America.

7. THE CHANGE IN THE LIFE OF THE OPERATIVE

a) THE HAND-LOOM WEAVER[1]

The lot of the hand-loom weaver was not an unpleasant one throughout most of the eighteenth century. Certainly his food was simple, and included little meat—in fact it was a diet which would be regarded as miserably inadequate by any artisan of today—his clothing was coarse and he worked hard; but his life was not without variety, and it could be spent in the country and fresh air. Guest says of the weavers that they were a fine body of men, full of the spirit of self-reliance. This he attributed to the fact that they sold their cloth and not their labour, that they were not servants but independent business men; and, further, to the facility with which they changed their employers, to "the constant effort to find out and

[1] Adapted with permission from S. J. Chapman, *The Lancashire Cotton Industry*, pp. 36–38, 39–41, 45–47, 74–77, 81–82. (Manchester University Press, 1904.)

obtain the largest remuneration for their labour, the incitement to ingenuity which the higher wages for fine manufactures and skilful workmanship produced, and a conviction that they depended mainly on their own exertions."

Undoubtedly at certain periods in the second half of the eighteenth century many weavers were in more flourishing circumstances than they had ever been before. The inventions of the jenny, mule and water-frame, together with the cylinder-carder and the warping-mill, greatly lowered the cost of warps and weft. The mule yarns, which were finer than any cotton yarns previously produced in this country, were made up into delicate fabrics, muslins and light goods. These became extremely popular and entered into competition with such Eastern textiles as were still imported for consumption in spite of the heavy duties by which they were discouraged.

The intense demand for hands to work up cotton caused a marked contraction of the woollen and linen industries in Lancashire, "while the old loom-shops being insufficient, every lumber-room, even old barns, cart-houses and out-buildings of any description were repaired, windows broke through the blank walls, and all were fitted up for loom-shops. This source of making room being at length exhausted, new weavers' cottages with loom-shops rose up in every direction." The period, from 1788 to about the end of the century, was indeed "the golden age of this great trade," and it was a golden age for the operatives.

Such were the circumstances of the fine workers; but at the same time the trade of coarse weaving was steadily becoming worse, to some extent in all probability because the popularity of fine goods lessened the demand for coarse goods, to some extent because those who failed at the more delicate work fell back on the heavier as a last resource, and to some extent because coarse weaving was an accomplishment requiring no special skill which could be easily and rapidly learnt.

The distress of the coarse weavers, apparent even before the nineteenth century began, proved to be but the beginning of a depression which was ultimately to drive the trade of hand-loom weaving out of existence. From 1785 to 1806, reported the Commissioner for Scotland, hand-loom weaving was a prosperous trade; about 1793, however, it began to decline; after 1816 it collapsed completely. In 1835 the Committee appointed to consider the condition of the hand-loom weavers was offered a description written by one of its members,

an employer, the famous champion of the factory workers, John Fielden, in which the situation of the weavers was represented as appalling; and although the author was warmly in sympathy with the operatives, and keenly desirous of carrying his Bill enforcing a minimum wage, his statements certainly did not exaggerate the state of affairs among large classes of workers.

The causes for the collapse of hand-loom weaving must have consisted in forces tending to diminish relatively the demand for hand-loom weavers or relatively to increase their supply; and both sets of influences were at work. The power-loom diminished the demand for hand-loom weavers. But it was introduced very gradually, and for a long time a single operative could not manage more than one or two power-looms; and, as the economies of the new method of manufacture developed, falling prices necessitated an enlarged output. Apart, then, from the attitude of labour, the power-loom need not have occasioned the intensity of distress with which its appearance was associated. Only the direst necessity, however, could drive the typical hand-loom weaver into a steam-factory, and not infrequently he preferred to fight famine at close quarters rather than surrender his liberty. The effect of every new steam-loom, therefore, was to diminish the demand for skilled craftsmen. Most hand-loom weavers competed with the factory, instead of entering it and attempting to secure for themselves as large a share as possible of the gain resulting from new economies in production. Moreover the supply of hand-loom weavers tended to increase. Labour was being driven from a partial dependence on the land; the restrictive measures of trade societies were preventing an adequate absorption of the rising generation in certain callings, and the weavers themselves proved far too weak to maintain such barriers around their own trade; moreover some kinds of weaving were very easily learnt after improvements in the loom had rendered the work upon it simple and mechanical. Weaving, therefore, became the natural resource of many who were unemployed, for instance, discharged soldiers, of whom a great number "exchanged the musket for the shuttle" after the peace of 1815.

Whether machinery need have occasioned any long-sustained damage to the condition of the weavers or not is open to question. It is highly probable that the slowness with which machinery developed and won its way would have prevented any shock from being felt had labour followed whither invention led, and that growth of the industry would have kept up the demand for labour except for very short

intervals. However, the change to the factory system having involved striking transformations, it is vain to imagine that domestic workers might have acted differently. Whatever the effect of machinery might have been, the fact stares us in the face that the attitude of the operatives towards it was at all times antagonistic, and that the antagonism, if it died down, did not die out completely.

The persistent opposition of the working classes and many others to mechanical improvements is traceable to fears as to their effect upon the demand for labour. There were those who thought that labour would be absolutely dispensed with, for invention might be carried so far as to supersede manual labour entirely; there were others who believed that while machinery might be valuable under a co-operative system, under other circumstances it could only add to the tyranny of capital and depress wages, for the introduction of machinery would cause some displacement of labour and the discarded workers by competing against those in employment would reduce earnings; there were some, perhaps, who perceived merely the temporary evil of the readjustment of labour, and the waste involved in discarding appliances rendered antiquated before they were old, and who desired more gradual changes.

b) THE NEW INDUSTRIAL TOWN OF THE EARLY NINETEENTH CENTURY[1]

The old English towns were often overcrowded, insanitary, honeycombed with alleys and courts that never saw the sun or breathed the air, but the fancy, and emotion, and the skill and craftsmanship of different ages, had made them beautiful and interesting. They were the home of a race, with all the traditions and pieties and heirlooms of a home.

Perhaps the best way to describe the new towns and their form of government would be to say that so far from breaking or checking the power of circumstances over men's lives, they symbolised the absolute dependence and helplessness of the mass of the people living in them. They were not so much towns as barracks: not the refuge of a civilisation but the barracks of an industry. This character was stamped on their form and life and government. The mediaeval town had reflected the minds of centuries and the subtle associations of a living society with a history; these towns reflected the violent

[1] Adapted with permission from J. L. and Barbara Hammond, *The Town Laborer*, pp. 38–41, 46, 53–55, 59. (Longmans, Green & Co., 1917.)

enterprise of an hour, the single passion that had thrown street on street in a frantic monotony of disorder. Nobody could read in these shapeless improvisations what Ruskin called "the manly language of a people inspired by resolute and common purpose," for they represented nothing but the avarice of the jerry-builder catering for the avarice of the capitalist. It would be as reasonable to examine the form and structure of an Italian *ergastulum*, in order to learn the wishes and the character of the slaves that worked in it. Nobody could find a spell of beauty or romance to supply the pieties of the old city, or to kindle a civic spirit in the great tide of human life that poured in from the villages that had lost their commons or the distant towns that had lost their trade. Their towns were as ugly as their industries, with an ugliness in both cases that was a symptom of work and life in which men and women could find no happiness or self-expression.

The extreme type of this organisation was the mining village. Life in such a town brought no alleviation of the tyranny of the industrial system; it only made it more real and sombre to the mind. There was no change of scene or colour, no delight of form or design to break its brooding atmosphere. The men and women who left the mill and passed along the streets to their homes did not become less but more conscious of that system as a universal burden, for the town was so constructed and so governed as to enforce rather than modify, to reiterate rather than soften the impressions of an alien and unaccommodating power. The town was as little their own as the mill. For the working classes had no more control over their own affairs outside than inside the factory. The weaver of Burnley or the spinner of Rochdale had less to remind him that he counted in the life of a society than his grandfather who had helped to administer the little affairs of the village and to regulate the use of its common pastures.

Englishmen thought of their great towns not with hope, or pride, or ambition, but with a haunting fear, reminding themselves not of the light that might be diffused, but of the darkness that overspread them. The real difficulty was that most of the upper classes, though they were afraid of the darkness, were still more afraid of the light. Place wrote in 1832, the Whigs being then in office: "Ministers and men in power, with nearly the whole body of those who are rich, dread the consequences of teaching the people more than they dread the effect of their ignorance."

C. The Worker and the New Commercial Organization

8. THE COMMERCIAL REVOLUTION AND POPULATION

a) THE DRIFT TO THE TOWNS[1]

The growth of towns was originally due to the industrial revolution. Manufacturers set up works on the coal and iron areas to obtain cheap power or raw material; the "hands" followed to get work. People also massed in the ports to deal with the growing quantities of exports and imports. The growth of towns corresponded in every country to the development of coal mining, factories, and engineering works. This tendency was, however, considerably accelerated and stimulated by the development of railways, not merely because people had increased facilities for moving into towns, but because the railways enabled towns to be fed.

The excellent railway facilities to and from towns encourage factory owners to set up in urban rather than rural areas. They can make sure of getting fuel, the distribution of which is already organized for household purposes; they are near the market for finished goods in the shape of merchants who will attend to the sales, and with the railway facilities they can draw on several lines for the conveyance of raw material or the despatch of finished goods. Apart altogether from transport, manufacturers tend to set up in towns because they can get hands there readily without the necessity of providing for their housing as they would have to do in a rural area.

The growth of towns seems to have been specially rapid in the United States where competitive railway companies try to induce manufacturers to use their particular line. Manufacturers are naturally attracted to these competitive facilities when setting up new businesses. In their turn the operatives gather round the factories and towns increase in size.

"The entire net increase of the population of 1870 to 1890 in Illinois, Wisconsin, Iowa and Minnesota was in cities and towns possessing competitive rates, while those having non-competitive rates decreased in population and in Iowa it is the general belief that the absence of large cities is due to the earlier policy of the railways giving Chicago discriminating rates."

The following table, taken from Weber, shows the increasing proportion of the population dwelling in cities of over 10,000. Up to

[1] Adapted with permission from L. C. A. Knowles, *The Industrial and Commercial Revolutions in Great Britain during the Nineteenth Century*, pp. 216–19. (E. P. Dutton & Co., 1921.)

1851, the growth may be ascribed to the industrial changes; after 1851 it is largely the result of transport which, in its turn, as we have seen, increased the impetus to the spread of the industrial revolution.

TABLE I

PERCENTAGE OF POPULATION IN CITIES OF OVER 10,000

Country	1800	1850	1890
England and Wales	(1801) 21.30	(1851) 39.45	(1891) 61.73
Scotland	17.0	(1851) 32.2	49.9
Prussia	(1816) 7.25	(1849) 10.63	(1890) 30.0
U.S.A.	(1800) 3.8	(1850) 12.0	27.6
France	(1801) 9.5	(1851) 14.4	25.9
Russia	(1820) 3.7	(1856) 5.3	9.3

TABLE II

PERCENTAGE OF TOTAL POPULATION DWELLING IN CITIES OF OVER 100,000

Country	1851	1891
England and Wales	22.58	31.82
Scotland	16.9	29.8
Prussia	(1849) 3.1	12.9
U.S.A.	(1850) 6.0	15.5
France	(1851) 4.6	12.0
Russia	(1856) 1.6	(1885) 3.2

Railways and factories do not wholly account for the growth of towns in the nineteenth century. People were gathered into towns, not merely by the increased opportunities for employment which towns afforded, but by the attraction of town life and the excitement of living in the mass. The new transport facilities enabled them to find out in many cases how much they preferred town to country life by the trips and excursions which familiarized the rural population with urban conditions.

b) SHIFTS IN OCCUPATIONAL GROUPS[1]

The most valuable source of information regarding the effects of modern industrialism is the study of the comparative statistics of occupations. Like every statistical inquiry, this is full of pitfalls. But while errors invalidate many particular conclusions as to the nature and size of fluctuations, they do not affect to anything like the

[1] Adapted with permission from John A. Hobson, *The Evolution of Modern Capitalism*, pp. 383 and 449. (Charles Scribner's Sons, 1912.)

same degree the broader judgments based upon a large mass of cumulative statistical evidence.

The summary tables of occupations in the last five censuses for England and Wales give the following enumeration of the employed population under general heads:

TABLE III

ENGLAND AND WALES—SUMMARY TABLES OF OCCUPATIONS

	1861	1871	1881	1891	1901
I. Professional Class	481,957	684,102	647,075	926,132	972,685
II. Domestic.	1,367,782	1,633,514	1,803,810	1,900,328	1,994,917
III. Commercial.....	623,710	815,424	980,128	1,399,735	1,858,454
IV. Agricultural and Fishing.....	2,010,454	1,657,138	1,383,184	1,336,045	1,152,495
V. Industrial.....	4,828,399	5,137,725	6,373,367	7,336,344	8,350,176
Total Occupied...	9,312,302	9,927,903	11,187,564	12,899,484	14,328,727
Total Population.	20,066,224	22,712,266	25,974,439	29,002,325	32,527,843
Percentage Increase of population since last census.....	11.90	13.21	14.36	11.65	12.17

The accompanying table indicates the rise or decline in the relative importance of the general classes of occupations of males during the decennium 1901–1911.

TABLE IV

MALE OCCUPATIONS

(Males per 10,000 over 10 years, England and Wales)

Classes	1901	1911	Classes	1901	1911
I. General or Local Government.....	141	179	VIII. Mining:		
II. Defence.....	139	151	Coal.....	528	647
III. Professions.....	257	269	Others.....	110	92
IV. Domestic:			IX. Metals:		
Outdoor.....	148	166	Machines.....	814	846
Domestic:			Ships.....	71	76
Indoor, etc.....	102	118	Vehicles.....	95	128
V. Commercial:			X. Building.....	859	693
a) Merchants, Agents,			XI. Wood.....	169	158
Banking, etc.....	184	222	XII. Paper, Print.....	123	131
b) Clerks.....	254	264	XIII. Textiles.....	331	343
VI. Conveyance:			XIV. Dress.....	305	275
a) Rail.....	290	291	XV. Food, etc.....	638	669
b) Road	355	345	.....	.....	.....
VII. Agriculture:			.....	.....	.....
Farmers.....	167	153	.....	.....	.....
Farm-workers.....	594	558	.....	.....	.....
Others.....	121	124	.....	.....	.....

In most modern countries, then, the statistics of occupations point to certain common tendencies:

1. A relative decline in the importance of agriculture; a rapid positive decline in free-trade England with its earlier development of capitalistic industry and its dense population, a considerable relative decline in each of the other countries, irrespective of tariff policy, density of population, land tenure or manufacturing development. Agricultural protection, combined with a large retention of small land-owners as in France and Germany, the possession of a large export trade in agricultural produce, as in the United States, retard, but do not cancel, the operation of the tendency.

2. An abnormally rapid growth of the transport and distributive trades (wholesale and retail) with the building, car-making, electric, and other manufacturing industries subsidiary to transport and distribution.

3. Wherever large deposits of coal and iron exist a great development of employment in mines.

4. A relative decline of the staple or fundamental manufacturing industries, especially the textile and dressmaking, as compared with the manufactures of final commodities for consumption. Luxury trades, or trades subsidiary to the arts and professions, present an increasing proportion of occupation.

5. In almost every instance a large, rapid increase in the proportion of the occupied population engaged in public services, professions, and other branches of non-material production.

6. An increase in the proportion of the retired or unoccupied classes.

See also Selection 4, *b*, *c*, and *d:* The Machine and Population; and Section D, chapter vi: American Occupational Groups.

9. THE NEW CAPITALISM

a) THE MEANING OF AN INTERNATIONAL MARKET[1]

The power to become habituated to his surroundings is a marked characteristic of mankind. Very few of us realize with conviction the intensely unusual, unstable, complicated, unreliable, temporary

[1] Adapted with permission from J. Maynard Keynes, *Economic Consequences of the Peace*, pp. 3, 5, 9–25. (Harcourt, Brace & Howe, 1920.) Lack of space prevents our including here the whole of Mr. Keynes's brilliant analysis of Western civilization. We believe, however, that our deletions have done no injustice to his essential argument.—ED.

nature of the economic organization by which Western Europe has lived for the last half-century.

Before 1870 different parts of the small continent of Europe had specialized in their own products; but, taken as a whole, it was substantially self-subsistent. And its population was adjusted to this state of affairs.

After 1870 there was developed on a large scale an unprecedented situation, and the economic condition of Europe became during the next fifty years unstable and peculiar. The pressure of population on food, which had already been balanced by the accessibility of supplies from America, became for the first time in recorded history definitely reversed. As numbers increased, food was actually easier to secure. Larger proportional returns from an increasing scale of production became true of agriculture as well as industry. With the growth of the European population there were more emigrants on the one hand to till the soil of the new countries, and, on the other, more workmen were available in Europe to prepare the industrial products and capital goods which were to maintain the emigrant populations in their new homes, and to build the railways and ships which were to make accessible to Europe food and raw products from distant sources. Up to about 1900 a unit of labor applied to industry yielded year by year a purchasing power over an increasing quantity of food. It is possible that about the year 1900 this process began to be reversed, and a diminishing yield of Nature to man's effort was beginning to reassert itself. But the tendency of cereals to rise in real cost was balanced by other improvements; and—one of many novelties—the resources of tropical Africa then for the first time came into large employ.

Europe was so organized socially and economically as to secure the maximum accumulation of capital. While there was some continuous improvement in the daily conditions of life of the mass of the population, Society was so framed as to throw a great part of the increased income into the control of the class least likely to consume it. The new rich of the nineteenth century were not brought up to large expenditures, and preferred the power which investment gave them to the pleasures of immediate consumption.

The immense accumulations of fixed capital which, to the great benefit of mankind, were built up during the half century before the war, could never have come about in a Society where wealth was divided equitably. The railways of the world, which that age built

as a monument to posterity, were, not less than the Pyramids of Egypt, the work of labor which was not free to consume in immediate enjoyment the full equivalent of its efforts.

Thus this remarkable system depended for its growth on a double bluff or deception. On the one hand the laboring classes accepted from ignorance or powerlessness, or were compelled, persuaded, or cajoled by custom, convention, authority, and the well-established order of Society into accepting a situation in which they could call their own very little of the cake that they and Nature and the capitalists were co-operating to produce. And on the other hand the capitalist classes were allowed to call the best part of the cake theirs and were theoretically free to consume it, on the tacit underlying condition that they consumed very little of it in practice. The duty of "saving" became nine-tenths of virtue and the growth of the cake the object of true religion. There grew round the non-consumption of the cake all those instincts of puritanism which in other ages has withdrawn itself from the world and has neglected the arts of production as well as those of enjoyment. And so the cake increased; but, to what end was not clearly contemplated. Individuals would be exhorted not so much to abstain as to defer, and to cultivate the pleasures of security and anticipation. Saving was for old age or for your children; but this was only in theory—the virtue of the cake was that it was never to be consumed, neither by you nor by your children after you.

The relation of the Old World to the New.—The accumulative habits of Europe before the war were the necessary condition of the greatest of the external factors which maintained the European equipoise.

Of the surplus capital goods accumulated by Europe a substantial part was exported abroad, where its investment made possible the development of the new resources of food, materials, and transport, and at the same time enabled the Old World to stake out a claim in the natural wealth and virgin potentialities of the New. Thus the whole of the European races tended to benefit alike from the development of new resources whether they pursued their culture at home or adventured it abroad.

Even before the war, however, the equilibrium thus established between old civilizations and new resources was being threatened. The prosperity of Europe was based on the facts that, owing to the large exportable surplus of foodstuffs in America, she was able to purchase food at a cheap rate measured in terms of the labor required

to produce her own exports, and that, as a result of her previous investments of capital, she was entitled to a substantial amount annually without any payment in return at all. The second of these factors then seemed out of danger, but, as a result of the growth of population overseas, chiefly in the United States, the first was not so secure.

When first the virgin soils of America came into bearing, the proportions of the population of those continents themselves, and consequently of their own local requirements, to those of Europe were very small. As lately as 1890 Europe had a population three times that of North and South America added together. But by 1914 the domestic requirements of the United States for wheat were approaching their production and the date was evidently near when there would be an exportable surplus only in years of exceptionally favorable harvest. Indeed, the present domestic requirements of the United States are estimated at more than 90 per cent of the average yield of the five years 1909–1913. At that time, however, the tendency towards stringency was showing itself, not so much in a lack of abundance as in a steady increase of real cost. That is to say, taking the world as a whole, there was no deficiency of wheat, but in order to call forth an adequate supply it was necessary to offer a higher real price. The most favorable factor in the situation was to be found in the extent to which Central and Western Europe was being fed from the exportable surplus of Russia and Roumania.

In short, Europe's claim on the resources of the New World was becoming precarious; the law of diminishing returns was at last reasserting itself, and was making it necessary year by year for Europe to offer a greater quantity of other commodities to obtain the same amount of bread; and Europe, therefore, could by no means afford the disorganization of any of her principal sources of supply.

b) WANTED—A NEW TERMINOLOGY[1]

When we abuse or defend "Capitalism," or talk about the conflict between "Capital" and "Labor," we use these terms loosely, without reflecting upon the change which has come over their significance with the progressive change in the organization of industry. In the phrase "Capital and Labor," "Capital" stands vaguely for the master-class, for those who direct the processes of industry. Their power is assumed to be derived from the ownership or control of the

[1] Taken with permission from Ramsay Muir, "A Definition of Capital," *The Nation and the Athenaeum*, September 10, 1921, pp. 822–23. (Eveleigh Nash & Grayson, Ltd., Publishers.)

capital (in the strict sense of the term) by means of which industry is carried on. Yet many of the real directors of industry own very little of the capital which they use, and most of the owners of capital have little or no effective voice in the direction of industry. The indiscriminate use of the term "capital" to describe the controlling factors in modern industry is, in these circumstances, misleading and productive of loose thinking. We have, in truth, inherited this terminology from a period when it was not an inexact description of the facts. But the facts have altered; and the first step towards clear thinking, and therefore towards rational policy, is the use of a more precise terminology which will represent the altered facts.

In the early days of modern industrial enterprise the term "capitalist" was a perfectly clear and unambiguous term. The *entrepreneur* of a concern did himself provide the capital required; he decided how it was to be used; he was liable for all the obligations which his firm undertook, whether towards workpeople or towards customers; every penny he possessed lay under this liability, and if he failed in his obligations he might not only be made penniless, but he might lose his liberty and be imprisoned indefinitely; his wife's fortune equally came under the same liability. Faced by such enormous risks, and being himself the effective initiator and director of all his firm's undertakings, he might reasonably claim that he must not be interfered with, and that all the profits earned by his enterprise legitimately belonged to him. He worked for his money, and he took immense risks; his employees were faced by no such responsibilities.

Over a part—a small and a diminishing part—of the field of industry these conditions still exist, and where they exist "capitalism" in its original sense still survives. It is true that the extremer penalties for failure imposed by the old system have been abolished, first by the Bankruptcy Acts, which have withdrawn the worst terrors from insolvency; and secondly, by the Married Women's Property Acts, which have provided the capitalist *entrepreneur* with a means of safeguarding his position should his enterprises fail. But still the partners in a private firm are liable in all their personal belongings for the obligations of the firm, are solely responsible for the character and direction of its operations, and can therefore reasonably claim that when they have fulfilled all the conditions laid down by law, and when they have paid the salaries and wages for which they have contracted, the whole residuum belongs to them—subject always to the right of the State to take toll of it by taxation.

But it is estimated that only about 5 per cent of our industry is carried on upon this basis of pure capitalism. The other 95 per cent is conducted by limited liability companies; and the introduction of the principle of limited liability has transformed the whole situation.

The cause of this change was that, as the scale of industry increased, it became impossible for an individual *entrepreneur*, or a small group of effective partners, to find the capital required. The railways, for example, could never have been constructed on a pure capitalist basis, in which the actual owners of the capital were the real managers of the concern. It was indispensable that the range from which industrial capital was drawn should be extended. The only way of doing this was to draw in a very large number of "sleeping partners," who could contribute capital, but who could not, in the nature of things, take any effective part in the conduct of the concern. But as these "sleeping partners" would legally be liable in all that they possessed for obligations in regard to which they could not be consulted, this was felt to be a dangerous device.

The difficulty was got over by the adoption of the system of limited liability—with a good deal of hesitation in 1837, but fully and completely in the Companies Act of 1862. These Acts permitted the formation of companies in which the investor's risk was limited to the actual amount of the shares for which he subscribed. The result was an immense and rapid replacement of private, or strictly "capitalist," firms by limited companies; and as every other country has adopted similar devices, the limited liability company has become the characteristic mode of organization for modern industry. The private or strictly "capitalist" firm survives only for small concerns in which the personal control of the *enterpreneur* is all-important; and many even of these have adopted the form of a limited liability company for the purpose of minimizing the risks of loss.

Now the introduction and growth of the limited liability system has involved a complete transformation of the conditions of industry; and when we talk vaguely about "capitalism," we leave too much out of account the magnitude and significance of this change.

In the first place, it has immeasurably widened the range of interest and participation in industrial operations. The capital required for industry is provided by the savings of an immense number of people, and if the owners of the capital are to be regarded as the owners of the industry, it has at least become true that every great industrial concern is "owned" by a large section of the community. In the railways, for example, the shareholders are actually more numerous than the employees. And the number of those who are thus interested not only can, but does, increase every year.

In the second place, the change has brought about a sharp differentiation between two classes of people—those who direct great industrial concerns, and those who provide them with capital. And neither class corresponds to the "capitalists" of an earlier time, who both directed the concern and provided its capital. It is true that the directors always hold some capital. But often enough they hold comparatively little; and their importance is derived from their directive work, not from the capital they supply. It is true, also, that the shareholders nominally elect the directors, who are nominally their servants. But everybody knows that this element of control by the shareholders is in the last degree unreal except on rare occasions when the company is on the rocks. How many of the innumerable shareholders of the Midland Railway or the Lever Brothers ever attend their meetings? What element of free election is there in the process by which directors—and, still more, general managers—are appointed? The real and practically unqualified control lies with the directors; and the influence of the shareholders is only felt in a pressure for good dividends. A modern development of the limited company still further emphasizes this fact. A steadily increasing proportion of invested capital takes the form of preference shares, bearing a limited dividend; and the holders of these shares are commonly deprived of voting rights. It is *not* capital which controls industry, it is expert direction—acting, no doubt, in the interests of capital, but acting with very great freedom.

Yet we still continue to employ a terminology which confuses these two perfectly distinct factors in one. When we talk about "capitalists," which do we mean—the more or less expert working directors of the concern, or its "sleeping partners" with limited liability? Those who denounce "capitalism" are sometimes thinking of the autocratic power wielded by the directors, and are indignant (*a*) because this power is used to produce profits; or (*b*) because the directors do not share their power with the workers in the concern. But as often they are thinking of the quite different position of the shareholders, who receive dividends though "they toil not, neither do they spin." Is it the captain of industry, or is it the *rentier*, who is aimed at by these critics? They are quite different people, though they are merged in the single word "capitalist." And the director

(often a hard-working and always an indispensable man) is condemned as an idle tribute-receiver because he is identified with the *rentier*, while the *rentier* is denounced as a tyrant because he is confused with the director. In truth, both classes are indispensable; both, in some form, would reappear even in the Socialist State; and in regard to the position of each, abuses are possible, and reforms are desirable. But we shall not see clearly along what lines reform should proceed until we distinguish between them quite clearly, and get away from the lax terminology, dictated by a condition of things now almost vanished, which lumps them both under the vague term "capitalist."

D. The Change in Social Ideas

In the preceding sections of this chapter the primary emphasis has been upon changes in industrial organization and technique. It must not be forgotten, however, that accompanying or following these there have been changes in social and political thought of equal importance as evidence in a survey of the human aspects of industry. These changes in thought have been, of course, largely the outgrowth of the changed material conditions in which men found themselves. In turn, however, ideas have profoundly influenced industrial organization itself, and, equally important for the present purpose, they have modified current notions as to political policy toward industry. Except for convenience, indeed, the two cannot be separated.

Necessarily only the barest hint of the historical trend of political and social thinking can be given here, only enough to suggest that such changes have actually taken place. Some mention has already been made of the general character of medieval economic thought (Selection 5 in chapter iv). The brief citations given below deal with the period from the beginning of the industrial revolution (1750) to the present day. For a more adequate conception of the development of modern political and social theory the student is referred to the list of references for further reading given at the end of this chapter, and to later parts of this book, particularly Parts Five and Seven.

10. THE REIGN OF LAISSEZ FAIRE[1]

Adam Smith, releasing economics from the old mercantilist superstitions, set the whole world in a new light, displaying trade as an elaborate and varied life of mutual service, a system in which men and

[1] Adapted with permission from J. L. and Barbara Hammond, *The Town Laborer*, pp. 195–219. (Longmans, Green & Co., London, 1919.)

nations were not all engaged in snatching advantages from each other, but were unconsciously helping and developing each other. He examined all the restrictions and regulations by which nations had tried to increase their prosperity at the expense of the rest of mankind, and governments had tried to direct the operations of traders and capitalists, and argued that they had done harm rather than good to the peoples who thought they were benefiting by them, because they interfered with "the obvious and simple system of natural liberty." The upper classes took that phrase from Adam Smith, and applied it to the relations of capital and labour, but it was rarely and only after a long interval that they applied it to anything else.

This first discovery, that the State could not really protect the workman, was followed by another, even more interesting, that the employer could not really injure him. The workmen were in the hands of a power that was obliged by the law of its being to secure them all the comfort and freedom of which they were capable.

This doctrine was supplemented by another that turned the key more effectually still on the labourers' position. This third stage is associated with the name of Malthus. At the end of the century the belief took root among the governing class that the recompense of labour was fixed by natural laws, and that no human efforts could really alter it. Any struggle against this decree of nature would cause trouble and disorganisation, and in that way would inflict injury on the labourers themselves, but it could not increase their share in the national wealth. That share must always remain somewhere about the level of subsistence. This belief was introduced by the Physiocrats, who had their eyes on the peasant of eighteenth-century France. As Turgot put it, "In every sort of occupation it must come to pass that the wages of the artisan are limited to that which is necessary to procure him his subsistence. *Il ne gagne que sa vie.*" If this doctrine were true the only changes in real wages would be those consequent on changes of diet; if labourers took to living on cheaper food their wages would go down, if on dearer they would go up. It was the appreciation of this fact that set Malthus in opposition to Eden and all the other food reformers who wanted to simplify the labourer's meagre diet still further. Now, during the last phase of the ancient régime, this Physiocrat idea became naturalised in England. Both Malthus and Ricardo contributed to this result.

Malthus, who started in revolt against the optimism which believed in the beneficence of nature, laid down a principle of population which,

by explaining poverty, robbed it of its horrors for the rich. Population, he argued, tends to multiply faster than subsistence. Poverty is therefore inevitable, and unless mankind deliberately sets itself to check the increase of the race, vice and misery are the only means by which population and food can be adjusted to each other. This is, of course, a very general sketch of his teaching, and if we were discussing Malthus himself we should be obliged to qualify this summary by noting a number of important considerations that enter into his argument.

A critic who splashed without ceremony into this argument might have accepted the main doctrine that food cannot be made to go round, without accepting the existing distribution of food as just or inevitable. But he was confronted with an explanation of that distribution which was as scientific as the explanation of poverty. As Professor Marshall has shown, the course of economic opinion has been profoundly affected by the fact that at the beginning of the nineteenth century the mathematical and physical groups of science were in the ascendant, and thus at a moment of critical importance in the development of economic speculation, all reasoning inclined to the deductive and abstract method. Both sides in politics gave their countenance to these economics of possession. Bentham, who laid the foundation of a philosophy that was fatal to the political pretensions of the aristocracy, and invented a formula that challenged the whole theory of a serf class on which his generation worked, was at the same time a warm defender of unlimited competition. Ricardo's brilliant and rather labyrinthine deductive reasoning has led later students to the most diverse conclusions. No thinker has been so variously interpreted, and Socialism and Individualism alike have built on his foundations. But of the character of his immediate influence there can be no doubt. The most important effect of his teaching in this particular sphere was to create the impression that every human motive other than the unfailing principle of self-interest might be eliminated from the world of industry and commerce; that the forces of supply and demand settled everything; that the laws governing profits and wages were mechanical and fixed. The share of labour was thus decided just like the price of an article, by the sheer power of competition. And this share gravitated towards the minimum of subsistence. The natural price of labour, he argued, depended on the price of the food, necessaries, and conveniences required for the support of the labourer and his family. "The market

price of labour is the price which is really fixed for it from the natural operation of the proportion of the supply to the demand: labour is dear when it is scarce and cheap when it is plentiful. However much the market price of labour may deviate from its natural price, it has like commodities, a tendency to conform to it." To do justice to Ricardo's theory of wages, it would be necessary to take into account many important qualifications that enter into his analysis, and we do not pretend that these sentences exhaust his contribution. But we are not discussing Ricardo's economics, we are discussing Ricardo's economics as they were interpreted by the powerful classes. Ricardo's ideas, as they were assimilated, helped to give a scientific basis to the existing distribution: he did not himself lay down an iron law, but his doctrine has commonly been treated as the doctrine of an iron law. Science seemed to put its seal on the irremediable poverty of the poor.

11. THE GROWTH OF STATE ACTION AND VOLUNTARY ASSOCIATION[1]

If it be true that industry cannot endure unlimited competition, it is still more obvious that society, as long as inequalities remain, cannot rest on pure freedom of contract. It has to protect itself against the complete working out of the implications of capitalism. This it has done partly by the action of the state and partly by recognizing the existence and activities of voluntary associations. The best examples of these two methods are factory legislation and trade unionism.

In the former, the state interferes to prescribe certain common rules which are to be followed in the conduct of industry; in the latter, the wage-earners combine to safeguard their interests. Each movement had to contend against strong opposition for the greater part of the nineteenth century, and even the advocates of the one or the other did not realize the part they were playing in effecting the stability of the capitalist state. Their function becomes clearer if it be supposed that one of the methods had been adopted to the exclusion of the other. If society had defended itself against the possible anti-social consequences of industrialism solely by state action, the sphere of control would have been a great deal wider than it was in 1914. Bureaucratic socialism would have been a reality.

[1] Adapted with permission from J. F. Rees, *A Social and Industrial History of England*, pp. 147–48, 159. (Methuen & Co., Ltd., 1920.)

On the other hand, if it had been left to the wage-earners to provide a competent defence against possible exploitation, their organizations would have had to perform so many functions that the state would have become relatively unimportant.

In England the presumption in favour of political action, which is so marked throughout the nineteenth century, was strengthened by the successive extensions of the franchise. The conception of the state as something external gave place to the conception of it as the means by which the common will found expression, and consequently the antithesis between the individual and the state was blurred or denied. Individualists also had to admit that their doctrine of freedom of contract was not applicable in a great number of important instances because the parties to the contract were not really free. The state had therefore to interfere to secure genuine equality in bargaining. Along these lines some kind of agreement between Individualists and Collectivists was possible. Each side, for instance, came to support Factory Acts, Truck Acts, and Workmen's Compensation Acts, though their theoretical reasons were different.

12. AMERICAN SOCIAL IDEAS DURING THE LAST HALF-CENTURY[1]

It now remains to summarize and characterize as concisely as possible the broad tendencies of political thought during the last half century. Unquestionably the most significant features of this period were the gradual tendency toward concentration of political and economic institutions, and toward the socialization of the state. The tendency toward centralization, developing slowly at the outset, swept forward as the end of the century approached with increasing momentum. In city, state and nation, and in the industrial world as well, the trend was toward closer integration of the institutions of control, economic and political. The development of nationalism in the nation as a whole, the growth of "bosses" and organizations within the political party, and the appearance of the "trust" in the commercial world, the consolidation of powers in the form of the commission government in the city, the development of central control in the state, were all evidences of the same general drift toward more compact organization.

[1] Adapted with permission from Charles E. Merriam, *American Political Ideas*, pp. 450–61. (The Macmillan Co., 1920.)

Again, the broadening of the purpose of the state was a conspicuous feature of the time. Beginning with a theory of the limited function of the government, the new conditions and the new spirit of the time forced a gradual departure from the orginal position and the organized political society took up new duties on a much broader scale than ever before. Concentration of power and broadening of the scope of authority were typical of the institutional development of the period. On the theoretical side, the abandonment of the doctrine of weak government as the necessary defense of liberty was forced as the urgent need of more vigorous government began to be evident, while the early doctrine of laissez faire tended to retire before the theory of the broader social function of the political society. Taking the period as a whole, it was characterized by comparative weakness of government and limitation of function, but considering the tendencies of the time, it is clear that the broad movement was toward strengthening government and broadening its function. Decentralization was on the decline, and non-interference as a political dogma was on the wane as the period came to a close.

Broadly speaking three philosophies of action and interpretation were in competition during this time. They were the old time doctrine of conservatism, centering around the unimpeded operations of the assumed "natural laws" of trade; the liberal or progressive theory demanding popular control of the most threatening features of the new industrialism in the interests of the many as against the few; and the collectivist philosophy demanding industrial democracy in the broadest sense of the term. Of these the first reigned without much opposition during the greater part of the time; the second rose to power as the middle of the period approached, and the third had no status until toward the middle of the period but gained in strength as the end of the period drew near.

The proper scope of state activity, as a theoretical and practical field of political discussion, witnessed notable changes during this time. The period opened with an intense individualism dominant in all fields—in the business world where the economic doctrines of laissez faire coincided with the theory of the survival of the fittest, and both with the tendencies of strong and determined men to conduct their affairs without let or hindrance; in the legal field with the crystallization of the common law and the application of early common law theories to the problems of public law administered by an almost

irresponsible judiciary. Mobility of population, mobility of occupation, mobility of land, labor, and capital, all combined to make this doctrine supreme in spite of the sweeping changes in the industrial and urban worlds.

Toward the middle of the period there came a change both in theory and in practice. Free land disappeared. The economic theory of the benevolence of competition was shattered by the sudden appearance of monopoly and unfair competition; the sociological theory of Spencer was matched by that of Ward, who urged the "efficacy of effort" as a legitimate interpretation of the Darwinian theory, and on the legal side a little later legal individualism by the assaults of the sociological school of jurisprudence. Meantime the steady pressure of conditions in cities and in industry had forced the practical recognition of many changes, if not because of a new theory, then at the imperative demand of intolerable human relations. A flood of social legislation followed in city, state and nation, sweeping into almost every way of life and every form of activity where the public developed an interest. Where the laissez faire doctrine was not abandoned, it was materially modified in actual practice. Its complete defense could no longer be made even by the greatest enthusiasts for the principle. The most stubborn case for the old principle was made against organized labor under the plea of "freedom of contract," and the "industrial liberty" of the citizen; but even here the battle was a losing one; for the tide turned strongly toward the relief of conditions that could not be tolerated on a democratic or even a human basis. The industrial and urban revolution took heavy toll of the doctrine of non-interference, whether in regulation of competition in trade, in limitation of the rights of persons and property through the varied forms of the convenient "police power," or through the slow broadening of the purposes of the state beyond the earlier function which Huxley once characterized as "anarchy plus a policeman."

To say that individualism was abandoned as a general theory during this period would be incorrect and misleading; but that the function of the state was largely expanded in practice and almost equally so in theory is undeniable. The collectivist doctrine in the form taught by the socialists was generally rejected, but the practical necessity for broader action by the government overcame all scruples and compelled relief in the urgent situations precipitated by the urban and industrial revolutions. Ours was not a doctrinaire

collectivism; but its advance, regardless of the spirit in which it was made or the goal toward which it moved, was none the less evident and important. Nowhere was a tougher texture of legal and economic individualism encountered than in America, but for that very reason nowhere was the advance of a conscious social policy more marked and conspicuous and significant than here.

See also Selection 3, chapter vi: American Political Presuppositions.

13. THE INFLUENCE OF SCIENCE ON SOCIAL IDEAS[1]

The craftsman of the Middle Ages never doubted the reality of the universe depicted by theology. Performing all the labor incident to the creation of a finished product out of raw material, he could think in terms of a Deity who had made man with His hands and who arbitrarily changed the course of nature. The modern industrial worker, who performs a small part of the process incident to factory output, and whose universe is the universe of scientific fact, is more likely to regard himself as controlling and directing forces of nature which are represented in his machine. This latter point of view has its limitations and calls for corrective treatment, lest the individual engaged in industry come to regard himself as merely a cog in a mechanism. But it is accomplishing one beneficial result. It is instilling into the worker's mind, and so into the minds of all mankind, the idea of natural causation; and once this idea becomes a major factor in human thinking, nature will become for all time the one and only source of authority in explaining phenomena.

The triumph of the evolutionary concept completed the overthrow of those older ideas of the universe which culminated in medieval theology. Evolution was the final extension of that enlarging mental horizon disclosed by the fact of the earth's sphericity and the Copernican explanation of the solar system, conceptions which are indissolubly united and each of which represents a stride forward in the face of resistance.

During the last three centuries, man's picture of himself changed from that of a being, recently created and awaiting a day of judgment in the not distant future, to that of a being originating as part of

[1] Adapted with permission from Winterton C. Curtis, *Science and Human Affairs*, pp. 5, 309–12. (Harcourt, Brace & Co., 1922.)

organic nature and set in a universe without beginning and without end. The by-product of this intellectual revolution was an emancipation of the human spirit from the bonds of authority. Authority indeed remains, but it is no longer the authority of book or priest, however potent such authority may still appear to be. In its place stands the authority of nature; and so great has been the emancipation we have, as yet, recognized but an insignificant measure of the changes in human thinking which must follow.

In the field of social phenomena, the influence of the evolutionary theory appears in the recurrent questioning of the necessity for existing conditions. Whatever is may be the natural outcome of the evolution of society to date, but it is not thereby right nor is it necessarily permanent. The evolutionist may recognize the stability of social customs that have arisen by evolution; but he also recognizes these customs as subject to change. Moreover, the human race must consider the intelligent direction of its future evolution as a possibility, however remote.

The influence of the evolutionary concept may be seen again in the attitude toward a variety of social problems. Disease and crime are not inevitable conditions to be treated by curative measures only. They are to be attacked with all the knowledge at our command, and finally eliminated by the evolution of a type of man and a form of society in which such evils will be non-existent. Man is no longer piously content with his lot, merely because he sees no prospect of immediately changing it. Conditions have changed in the past and mankind wants to change them in the future. Man is not content to let evolution take its course with him, he strives to make it go his way. Thus the insight into social problems which evolution has brought gives a habit of mind that will brook no limitation of the human spirit. As within the field of philosophy, so within the field of social phenomena, this changing point of view is an outcome of the recognition of a dynamic as opposed to a static world.

There is thus taking place, under the influence of the evolutionary doctrine, a subtle change of ideas and of beliefs, comparable to the changes of intellectual outlook in the past, by which superstitions, like infant damnation, witchcraft, demoniacal possession, and the belief in ghosts were rendered impotent. Such changes occur in what may be designated the frame of mind. They are, seemingly, effected not so much by argument as by the imperceptible growth of a conviction that the traditional belief is unreasonable. Old beliefs often

persist, apparently in full vigor, until the collapse is at hand; but when beliefs begin to excite ridicule, their course is nearly run. The history of scientific progress has been marked by spiritual emancipations.

PROBLEMS

1. Suggest as concretely as you can what seem to you the most essential differences between social classes or groups today and in medieval times. On the basis of your analysis, do the differences seem predominantly matters of degree or of kind? Assign to each of the differences its determining cause or causes.
2. "The heyday of the gilds ended with the Tudor period, when control of industry, which had been predominantly local, became increasingly national in character." Name all the reasons you can think of why national control should have set in at this time.
3. "The changes in social life which have come since 1750 may be classified as to cause or character under (*a*) changes in technique, (*b*) changes in internal organization, (*c*) changes in commercial organization, (*d*) changes in social ideas." List as many concrete factors as you can under each head.
4. "The machine has changed men as well as methods." How is this true? To what extent?
5. "The influence on character which is exerted by industrial environment is sufficiently illustrated by the fact that one finds in every major industry a distinctive type of human being." Criticize this statement and its implications carefully. Is the suggestion of cause and effect necessarily accurate as it stands? In reading through the selections in this chapter, particularly those in *Section B*, try to visualize the possible influence on "character" or "human nature" which the changes in industrial organization described may have had.
6. What were the reasons for the change from the gild system to the domestic system? How did they change the part played by the worker? Was the domestic system "capitalistic"? Why or why not?
7. "If we trace historically the growth of modern capitalist economies in the several industries we shall find that they fall generally into three periods: (1) The period of earlier mechanical inventions, marking the displacement of domestic by factory industry. (2) The evolution of the new motor in manufacture. The application of steam to the manufacturing process. (3) The evolution of steam locomotion, with its bearing on industry." Can you suggest a fourth period? A fifth?
8. "Too much attention has been paid to monotony of machine work. The greater problem lies in the huge amount of deadening clerical work which has come about as a necessary adjunct of machine industry." What do you think of this statement? Why?

9. List as many differences as you can between the life of the modern factory worker and that of the medieval worker for which the application of "quantitative measurement" methods to industry seem responsible.
10. What is meant by the "scientific attitude of mind" and how has it affected industrial organization? Where did it come from?
11. Go to the United States Census returns in the library, choose a single industry, and work out for that industry for each succeeding ten years the following comparative figures: (*a*) total capital invested; (*b*) total amount of product; (*c*) total number of men employed; (*d*) average capital invested per establishment; (*e*) average product per establishment; (*f*) average product per man employed. What is the significance of these figures?
12. What were the essential reasons for the enormous increases in population during the nineteenth century?
13. Mr. J. A. Hobson lists the following conditions as determining the progress of an industry in its development as a machine industry: (*a*) size and complexity of structure; (*b*) fixity in quantity and character of demand; (*c*) uniformity of material and of the processes of production; (*d*) durability of valuable properties; (*e*) ease or simplicity of labor involved; (*f*) skilled workmanship. Try to trace the effects of these conditions on the development of industries of which you have knowledge.
14. What conditions enabled industrial England of the early nineteenth century to compete with colonial slave economy?
15. "The intellectualization of the town operative [assuming the process to be taking place] may be attributable to the thousand and one other influences of town life rather than to machinery, save indirectly so far as the modern industrial center is itself the creation of machinery." Criticize.
16. "It should be borne in mind, however, that in several large industries where machinery fills a prominent place, the bulk of the labor is not directly governed by the machine." What industries, for example?
17. What were the underlying reasons for the worker's resistance to the installation of new inventions at the beginning of the industrial revolution? Do workers today take the same attitude? Is there a single general answer? If not, why not?
18. "The great defect of machinery, from the educative point of view, is its absolute conservatism." What does this mean?
19. What is meant by the "equality of workers before the machine"? What have been its historical effects (list as many as you can)?
20. "The absence of any true apprenticeship in modern factories prevents the detailed worker from understanding the method and true bearing even of those processes which are closely linked to that in which he is engaged." What of it? Is there any remedy?

21. "There is a practical limit to specialization decreed by the general exigencies of industry." What exigencies? In what industries?
22. What should be the policy of education for the worker in modern industry?
23. "Standardization in production would have been impossible without standardization in commerce. Both are products of science." What does this mean, and to what extent is it true?
24. "Throughout history, migrations have been one of the great causes of social change." Can you apply this to the last three centuries? What have been the determining causes of recent migrations?
25. Why should a study of "labor" concern itself with commercial and financial organization?
26. "The average level of comfort has been enormously raised by the changes of the last century. The modern factory hand lives as well as the primitive king." Do you agree? If you do, how explain industrial unrest? Is the reason "human nature"?
27. "We cannot go back to a craftsman's paradise." What is a "craftsman's paradise"? Do you think there ever was one? If not, is there anything in the idea of craftsmanship which has any value for present-day life?
28. "The remedy for machines is more machines." Meaning? Do you agree?
29. "Capitalism is justified because through it we have gained whatever we have today in the way of advance over the Middle Ages." "This is not true because we might have made equal or greater advances under another system." What do you think? Do either of the quotations mean anything?
30. "Mechanical transport was chiefly responsible for the 'commercial revolution.'" Do you agree? Why?
31. "The workday information and the reasoning by use of which all men today carry on their daily life is of the same character as that which guides the mechanical engineers; and this leads headlong to a mechanistic conception of things." What does this mean? Is it true? If so, what is its significance?
32. "The unit of productive organization, as a result of the new technique, has changed from the man to the shop." Is this true? How? What is its significance for efficient production? for industrial relationships?
33. "In craft days the owner was at once manager and worker. In early capitalist days the owner was manager and hired the worker. In the modern corporation typically both manager and worker are hired, with the controlling voice (theoretically, at least) the owner's." Can you see any historic reasons why "control" should have followed the right of ownership instead of—say—the function of management? Is this the same as asking, "Why has industry become a profit-making enterprise?"

34. Draw up an outline showing the "risks" of the worker of today as contrasted with those in two previous periods. Are the changes chiefly in kind or in degree? What are the determining causes?
35. Outline concretely what seem to you the outstanding results for the worker of the change to a "market" (pecuniary and speculative) society; as to the part he plays in society, his security, his welfare.
36. Try to list the changes brought about in the life, task, position, and outlook of (*a*) the industrial worker and (*b*) the agricultural laborer by (1) the clock, (2) the newspaper, (3) the railroad, (4) the telegraph and telephone, (5) the steam engine, (6) the stock ticker, (7) the Ford car, (8) negotiable instruments, (9) the movies, (10) clothing fashions, (11) indirect costs.
37. What influences has the growth of industrial cities had on workmen?
38. Contrast the modern with the medieval city as to (*a*) size; (*b*) cause of growth; (*c*) unity of life; (*d*) community spirit; (*e*) permanence of population; (*f*) sectional and class divisions; (*g*) healthfulness; (*h*) religious life; (*i*) intellectual life; (*j*) safety.
39. "One effect of the development of rapid transit and rapid communication is that mob feeling and mob action can extend throughout a whole nation or a whole economic group instead of being confined to the bounds of a single community." What do you think of this statement? Has it any significance?
40. "Industrial society has standardized men's minds, stamping them all with a common group trade-mark, just as it has standardized processes and products." "Through wider associations and contacts, men's minds and imaginations have been loosed from the bonds of custom and given a wider range than was ever before possible." Which, if either, is true?
41. "Class conflict inevitably arises whenever men begin working exclusively at 'different' things—i.e., when they begin to specialize on a narrow scale." Do you think this statement is universally true? Has it any historical basis?
42 "The outstanding industrial development of the nineteenth century was the complete specialization of men. The twentieth century is proceeding apace to make specialists of its women." Do you think this a fair deduction?
43. "Divine law was succeeded by natural law as the recognized and authoritative determinant of men's economic relations with each other. They were equally unyielding in their decrees as to the distribution of wealth." What was this "natural" law, where did it come from, what were its assumptions and its consequences?
44. "Darwinism has been used freely both to justify and to attack the existing order." How could this be true? What do you think has been the outstanding influence of the evolutionary conception on social thought?

45. What is the part that social theory plays in economic organization?
46. Can you suggest the main influences tending to discredit the laissez faire school in England? Is laissez faire dead or alive? Has it any practical consequence today?
47. Define capitalism. Would your definition as of today be different from your definition as of 1800? How different? Do these differences throw any light on the task of analyzing present-day industrial relationships?

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CHAPTER VI

ECONOMIC DEVELOPMENT IN AMERICA

As already suggested, the present chapter is designed to carry the analysis of chapter v over into its peculiarly American environment.

The arrangement of the materials is as follows:

Section A (*The American Heritage*) is intended to suggest the background, physical, racial, and spiritual, on which the American economic organization has been developed. Particular attention should be given these selections, especially Selection 1, as they help explain many otherwise inexplicable differences between European and American economic development today.

Section B (*The Development of American Industry*) should be regarded as in part an addition to, in part simply a modification of, the general sketch of capitalistic organization already presented in chapter v preceding. Selection 4 develops in greater detail the part which mechanical transport has played in making a complex interdependent industrial society out of an agricultural community. (Cf. Selection 8 in chapter v). Selection 5 gives an American version of the change from simple to complex industry and the reasons for it.

Section C should be regarded as case material. It presents the actual changes which have taken place in a typical American industry, and should be studied with the aim of tracing in concrete terms some of the tendencies suggested in the previous selections and of gaining additional light on their meaning.

Section D gives a brief cross-section view of the actual (though changing) economic and social groupings to be found in the United States at the present time as a result of the changes already developed.

A. The American Heritage

1. THE INFLUENCE OF THE AMERICAN FRONTIER[1]

Behind institutions, behind constitutional forms and modifications, lie the vital forces that call these organs into life and shape them to meet changing conditions. The peculiarity of American

[1] Adapted with permission from Frederick J. Turner, "The Frontier in American History" (*Fifth Yearbook of the National Herbart Society*) (University of Chicago

institutions is the fact that they have been compelled to adapt themselves to the changes of an expanding people—to the changes involved in crossing a continent, in winning a wilderness, and in developing at each area of this progress out of the primitive economic and political conditions of the frontier into the complexity of city life. Limiting our attention to the Atlantic coast, we have the familiar phenomenon of the evolution of institutions in a limited area, such as the rise of representative government; the differentiation of simple colonial governments into complex organs; the progress from primitive industrial society, without division of labor, up to manufacturing civilization. But we have in addition to this a recurrence of the process of evolution in each western area reached in the process of expansion. Thus American development has exhibited not merely advance along a single line, but a return to primitive conditions on a continually advancing frontier line, and a new development for that area. This perennial rebirth, this fluidity of American life, this expansion westward with its new opportunities, its continuous touch with the simplicity of primitive society, furnish the forces dominating American character.

The American frontier is sharply distinguished from the European frontier—a fortified boundary line running through dense populations. The most significant thing about the American frontier is that it lies at the hither edge of free land.

Our early history is the study of European germs developing in an American environment. Too exclusive attention has been paid by institutional students to the Germanic origins, too little to the American factors. The outcome is not the old Europe, not simply the development of Germanic germs. The fact is that here is a new product that is American. The advance of the frontier has meant a steady movement away from the influence of Europe, a steady growth of independence on American lines. And to study this advance, the men who grew up under these conditions, and the political, economic, and social results of it is to study the really American part of our history.

So long as free land exists, the opportunity for a competency exists, and economic power secures political power. But the democracy born of free land, strong in selfishness and individualism,

Press, 1899); and "The Contribution of the West to American Democracy" *Atlantic Monthly*, XCI (January, 1903), 90–93. Since reprinted in *The Frontier in American History*, pp. 1–38, 243–68. (Henry Holt and Co., 1920.)

intolerant of administrative experience and education, and pressing individual liberty beyond its proper bounds, has its dangers as well as its benefits. Individualism in America has allowed a laxity in regard to governmental affairs which has rendered possible the spoils system and all the manifest evils that follow from the lack of a highly developed civic spirit. In this connection may be noted also the influence of frontier conditions in permitting lax business honor, inflated paper currency and wild-cat banking. A primitive society can hardly be expected to show an intelligent appreciation of the complexity of business interests in a developed society.

From the conditions of frontier life came intellectual traits of profound importance. That coarseness and strength combined with acuteness and inquisitiveness; that practical, inventive turn of mind, quick to find expedients; that masterful grasp of material things, lacking in the artistic but powerful to affect great ends; that restless, nervous energy; that dominant individualism, working for good and for evil, and withal that buoyancy and exuberance which comes with freedom—these are traits of the frontier, or traits called out elsewhere because of the existence of the frontier. He would be a rash prophet who should assert that the expansive character of American life has now entirely ceased. Movement has been its dominant fact, and, unless this training has no effect upon a people, the American energy will continually demand a wider field for its exercise. But never again will such gifts of free land offer themselves. For a moment, at the frontier, the bonds of custom are broken and unrestraint is triumphant. There is not *tabula rasa*. The stubborn American environment is there with its imperious summons to accept its conditions; the inherited ways of doing things are also there; and yet, in spite of environment, and in spite of custom, each frontier did indeed furnish a new field of opportunity, a gate of escape from the bondage of the past; and freshness, and confidence, and scorn of older society, impatience of its restraints and its ideas, and indifference to its lessons, have accompanied the frontier. What the Mediterranean Sea was to the Greeks, breaking the bond of custom, offering new experiences, calling out new institutions and activities, that, and more, the ever retreating frontier has been to the United States directly, and to the nations of Europe more remotely. And now, four centuries from the discovery of America, at the end of a hundred years of life under the Constitution, the frontier has gone, and with its going has closed the first period of American history.

While the individualism of the frontier, so prominent in the earliest days of the Western advance, has been preserved as an ideal, more and more these individuals struggling each with the other, dealing with vaster and vaster areas, with larger and larger problems, have found it necessary to combine under the leadership of the strongest. This is the explanation of the rise of those pre-eminent captains of industry whose genius has concentrated capital to control the fundamental resources of the nation.

Most important of all has been the fact that an area of free land has continually lain on the western border of the settled area of the United States. Whenever social conditions tended to crystallize in the East, whenever capital tended to press upon labor or political restraints to impede the freedom of the mass, there was this gate of escape to the free conditions of the frontier. These free lands promoted individualism, economic equality, freedom to rise, democracy. Men would not accept inferior wages and a permanent position of social subordination when this promised land of freedom and equality was theirs for the taking. Who would rest content under oppressive legislative conditions when with a slight effort he might reach a land wherein to become a co-worker in the building of free cities and free states on the lines of his own ideal? In a word, then, free lands meant free opportunities.

The free lands are gone. The material forces that gave vitality to Western democracy are passing away. It is to the realm of the spirit, to the domain of ideals and legislation, that we must look for Western influence upon democracy in our own days.

Western democracy has been from the time of its birth idealistic. With all the materialism of the pioneer movements, this idealistic conception of the vacant lands as an opportunity for a new order of things is unmistakably present. Nor was this idealism by any means limited to the American pioneer.

To the old native democratic stock has been added a vast army of recruits from the Old World. To them America was not simply a new home; it was a land of opportunity, of freedom, of democracy. It meant to them, as to the American pioneer that preceded them, the opportunity to destroy the bonds of social caste that bound them in their older home, to hew out for themselves in a new country a destiny proportioned to the powers that God had given them, a chance to place their families under better conditions and to win a larger life than the life that they had left behind.

In this connection it must also be remembered that these democratic ideals have existed at each stage of the advance of the frontier, and have left behind them deep and enduring effects on the thinking of the whole country. Long after the frontier period of a particular region of the United States has passed away, the conception of society, the ideals and aspirations which it produced, persist in the minds of the people. So recent has been the transition of the greater portion of the United States from frontier conditions to conditions of settled life, that we are, over the large portion of the United States, hardly a generation removed from the primitive conditions of the West. If, indeed, we ourselves were not pioneers, our fathers were, and the inherited ways of looking at things, the fundamental assumptions of the American people, have all been shaped by this experience of democracy on its westward march.

2. IMMIGRATION AND THE DEVELOPMENT OF THE CAPITALISTIC SPIRIT IN AMERICA[1]

A discussion of the development of the capitalistic spirit in the United States may be placed under three headings.

1. The elements of the capitalist spirit have had a niche in the American national character ever since the foundation of the colonies, and even before that spirit took form and substance, i.e., before ever there was an economic order inspired by it.

2. The early stages of the capitalist spirit changed into the later and fully perfect stages sooner and more completely in America than anywhere else. There is conclusive evidence showing that the ideas of modern Americanism had already taken root at the beginning of the nineteenth century, and had even as far back as that day commenced to shape life according to their own liking.

3. Whatever the results of the capitalist spirit may be, you will find them developed to their utmost in the United States today. There the strength of that spirit is as yet unbroken; there the whirlwind still rages.

If we are content to find a single cause, it would be the breach with all old ways of life and all old social relationships. Indeed, the psychology of the stranger in a new land may easily be explained by reference to this one supreme fact. His clan, his country, his people, his state, no matter how deeply he was rooted in them, have now

[1] Adapted with permission from Werner Sombart, *The Quintessence of Capitalism*, pp. 151–52, 301–7. (E. P. Dutton & Co., 1915.)

ceased to be realities for him. His first aim is to make profit. How could it be otherwise? There is nothing else open to him. In the old country he was excluded from playing his part in public life; in the colony of his choice there is no public life to speak of. Neither can he devote himself to a life of comfortable, slothful ease; the new lands have little comfort. Nor is the newcomer moved by sentiment. His environment means nothing to him. At best he regards it as a means to an end—to make a living. All this must surely be of great consequence for the rise of a mental outlook that cares only for gain; and who will deny that colonial activity generates it?

One characteristic of the stranger's activity, to be a settler in a new or an old land, follows of necessity. I refer to the *determination to apply the utmost rational effort in the field of economic and technical activity*. The stranger must carry through plans with success because of necessity, or because he cannot withstand the desire to secure his future. On the other hand, he is able to do it more easily than other folk because he is not hampered by tradition. This explains clearly enough why alien immigrants, as we have seen, furthered commercial and industrial progress wherever they came. Similarly we may thus account for the well-known fact that nowhere are technical inventions so plentiful as in America, that railway construction and the making of machinery proceed much more rapidly there than anywhere else in the world. It all comes from the peculiar conditions of the problem, conditions that have been termed colonial—great distances, dear labour, and the will to progress. The state of mind that will have, nay, must have, progress is that of the stranger, untrammelled by the past and gazing towards the future.

3. AMERICAN POLITICAL PRESUPPOSITIONS[1]

It may be advisable to state with some explicitness what may be considered the fundamental notions which were commonly accepted when our national and state constitutions were established. The underlying idea was that men originally existed in a state of nature free from restraint. Each man was an individual sovereign and possessed of all rights, though dependent entirely upon his own strength to defend his rights. Society was formed by agreement among men, each individual surrendering a portion of his natural rights and retaining others which were inviolably his. Government and po-

[1] Adapted with permission from A. C. McLaughlin, *The Courts, the Constitution and Parties*, pp. 189–95, 261–80. (University of Chicago Press, 1912.)

litical organization also rested upon agreement. Thus through the conscious action and consent of individuals, permanent institutions were established. Now beneath these ideas of political philosophy was what I may call the metaphysical notion that unity can be formed by the conscious action of so many isolated beings—unity can be formed by the separate movement of isolated atoms. Akin to this compact idea and necessarily bound up with it was the idea that man could bind himself; obligation grew out of consent, and did not necessarily depend on force, certainly not on a pre-existing force. Law was not necessarily the expression of the will of a pre-existing superior directed toward an inferior, but rested like everything else on the consent or the acquiescence of the individual. Not that any individual could at any time cast off his obligations and recall his acquiescence; on the contrary, real obligations permanent and binding came from original agreement.

It will be seen at once that there is something very familiar in many of these doctrines, even at the present. Some of them have become embodied in legal phrases and in political catchwords. In order that the influence and meaning of these doctrines may be more fully seen, it may be well to phrase the fundamental ideas of modern political philosophy. The supposition that society originated in compact is now discarded and with it the notion that man ever existed in a state of nature possessed of all rights. Society is looked upon as organic, a natural thing, and not the result of intellectual agreement; society is not superimposed on man, but, as Aristotle said, man is by nature (originally) a political being.

None the less, the principle that the constitution is a compact into which each individual enters out of a state of isolation, which the philosophers called the state of nature, has deeply and perhaps permanently affected our public law. It is astonishing and impressive to see the modern jurist talking in terms of compact and natural rights, after the fundamental conceptions on which those terms rest have altogether disappeared from ordinary modern thought and modern life. We thus find perpetrated in our constitutional law—not to speak of other branches of jurisprudence—a method of thinking that the rest of society has entirely abandoned; and one of the greatest puzzles of modern times is to adapt a system of judicature founded in extreme philosophic individualism to the needs of organic society.

Perhaps it would be more nearly correct to say that there is always in society a conflict between the individual and society; but, with

all our aggressive individual initiative, the Americans have been gifted too with humanitarian sentiment and with remarkable power of political and social combination. The great combines are in themselves made possible by this spirit and this capacity; and it is a striking fact that, manifesting as they do this phase of American ability, and illustrating in all their activities the essential organic compactness of American life, they seek to be governed by the principles of pure individualistic law, inherited from a time of individualistic thought and endeavor. I am not unwilling to admit that the doctrine of natural right and of contract may be a convenient fiction, and I should like to believe that law, based on a principle of thinking foreign to the activity and foreign to the thought of the community in which it acts, can be abiding and useful; but there is an evident difficulty in adjustment. Whatever my fears or beliefs may be, the facts are so; and surely it is a startling truth, that just as a phase of human thought, which in some of its aspects was older than the Christian era, was beginning to pass away from the human mind, new bodies politic should be established in this new world based on these old fundamental conceptions, which were indeed for the first time thus given adequate institutional expression.

The great movement for individualism came to its fullest fruitage in the Revolution, and was installed in instruments of government that were declared to be permanent; states were organized on a basis of individualistic democracy, just as democracy was about to leave its phase of pure individualism and reach out for a higher, deeper, and different meaning—moving on into a condition of society in which the most selfish should reap their highest reward not through individual and detached effort, but through combination; in which the propelling forces that are upbuilding come from surrender to the spirit of brotherhood and from an effort to raise one's fellows; in which, more than ever before, government is called on to do the things we cannot separately do ourselves. And so again the puzzling problem which is being worked out in the legislative halls, in the social order, in the books and brains of thinking men, is how to adapt institutions based on individualism, the product of centuries of effort to reach personal right and personal justice free from the restraints and the wrongs of external and arbitrary power—how to adapt such institutions and how to fashion our political thinking to a new order of things.

See also Section D, chapter v: The Change in Social Ideas.

B. The Development of American Industry

4. TRANSPORTATION AND COMMUNICATION

[NOTE: The changes in American economic life of the last century may quite truthfully be regarded as centering in the development of the American railway. The closing of the frontier, the creation of a national and international market, the increasing urbanization of the country, the growing dominance of industrial over agricultural interests, the increasingly "capitalist" organization of agriculture itself, all these and many other influences may be traced to the period of unprecedented railway expansion beginning roughly at the close of the Civil War. The story of American railway development itself, with its picturesque "captains of industry," its dramatic "pushfulness," its financial piracies, and its technical problems, is a fascinating one, and it offers as well, in its later stages, a unique field for study of the relationships among the various groups which make up modern industry. We are here concerned, however, only with getting some glimpses of the part which the railways have played in making the country a social and economic unit and their influence on American industrial, commercial and financial organization, with a hint here and there as to the bearing which this has on the place the wage-earner occupies in modern America as contrasted with his place at the beginning of the nineteenth century. These brief selections should be borne in mind in reading the materials on economic organization immediately following.—ED.]

a) A SURVEY OF THE EFFECTS OF TRANSPORTATION DEVELOPMENT[1]

The commercial, social, and political relations of the nations have been revolutionized almost within the last fifty years by the development of improved means of communication and transportation. Previous to that period each nation lived almost wholly within itself. The change began about the beginning of the present century with the revolution of the shipping business occasioned by the use of steam.

Fifty years ago the mails were irregular and infrequent, while the charges were almost prohibitory. Commerce received a new impetus by the introduction of postage-stamps in 1840 and the sweeping reduction made by England at that time in postal rates, which were cut down to one-tenth of the previous charges. Within

[1] Adapted from the *Report of the Senate Select Committee on Interstate Commerce* (1886), pp. 3–9.

the next ten years the leading countries of Europe and the United States adopted the policy of cheap postage and greatly increased the efficiency of their postal service. There has since been a steady improvement and extension of the system throughout the world, with constant reductions in rates, until every civilized country has united with the Postal Union organized ten years ago; the poorest citizen can afford to transmit a letter to any part of the globe, and the number of letters and packages distributed by mail annually is 10,000,000,000. During the same period another revolution in the transmission of intelligence and methods of business has been effected by the invention of the telegraph, which dates from 1837, the first American line being constructed in 1844 by the aid of the General Government. The extent of this change is indicated by the statistics, which show that there are now in operation 600,000 miles of line, comprising 1,600,000 miles of wire.

But still more marvelous have been the changes brought about in the commercial, political, and social relations of nations, communities, and individuals by the improved facilities for transportation and intercourse afforded by the railroad, all within the present century, and mainly within the last thirty-five years. As Governor Horatio Seymour says: "The chief element in the prosperity of every State or nation is the economy of transportation of persons and property. It is the marked fact in the difference between civilization and barbarism."

At the beginning of the present century the transportation of commodities of exchange for any considerable distance within the United States, except by water, was unknown, and passenger journeys were attended with hardship and difficulty. Then came the era of turnpike roads, which in time greatly facilitated through travel and reduced the cost of transportation overland. Then came the railroad and the problem of overland transportation was solved when the locomotive was invented.

As the railroads have made possible and facilitated the exchange of products throughout the whole of our vast territory, the natural resources of the nation have been developed and have become available, and its productive power has been wonderfully augmented. Through the agency of the railroad the vast internal commerce of the country has been enabled to brush aside the barriers formerly interposed by the limitations of distance between the sources of supply and demand. The producer and the consumer, however widely sep-

arated in fact, are practically being made next-door neighbors, and this is becoming true throughout the world as well as throughout the United States. The products of the country are to a very considerable extent dependent upon the railroads for the means of transportation, which makes them marketable, and the railroad system, as a whole, directly or indirectly affects and enters into every business interest, while its operations extend into every portion of the Union.

See also Selection 5*b* following and 6*b*, chapter v: The Influence of Mechanical Communication.

b) THE INFLUENCE OF THE RAILWAY ON THE LIVES OF THE WORKING POPULATION

i[1]

Dealing in round figures, these railways move about 400,000,000 of tons a year. Half of it is food and fuel. Half of life is the struggle for food and fuel. Half of the income of every man who works for his living, and belongs to the so-called working classes—I use the term without any obnoxious distinction—half of the life of 90 per cent of the people in this community is a struggle for food and fuel.

The railroad has reduced that struggle in greater measure than any other instrumentality that has ever been applied since the introduction of steam. Why? Because it has brought the measure of time and distance, i.e., the movement of a year's supply of food for the mechanic in Massachusetts a thousand miles, down to the measure of one day's labor. If a mechanic will give up one holiday a year he is placed along-side of the prairie, and distance is eliminated from his condition. What does it amount to in gross? For the movement of that fuel, clothing, food, and means of shelter, which constitutes the great bulk of railway service, five or six hundred millions of dollars a year is paid. It is almost as heavy a charge as taxation.

ii[2]

The comparative isolation of business centres in early days and the lack of facilities for rapid communication between them materially affected the condition of the wage laborer. The risks of business were greater, and no industry could be considered permanent when it was

[1] i) Adapted from the testimony of Edward Atkinson before the Senate Select Committee (1886), *Testimony*, pp. 319–20.

[2] ii) Taken from "History of Wages and Prices in Massachusetts: 1752–1883," *Sixteenth Annual Report of the Massachusetts Bureau of Statistics of Labor*, Parts III and IV (Boston, 1885), p. 14.

impossible to forecast the state of the market; for instance, the manufacturer in Massachusetts was for weeks ignorant of affairs in centres of distribution like Philadelphia which might materially affect the price of his product. All commerce and manufacturing were then of the nature of a venture, and the labor dependent upon industrial operations thus limited remained more or less uncertain of employment.

The same conditions which prevented the free and rapid exchange of products, raised the price and limited the variety of articles for household consumption, except such supplies as eggs, corn and rye meal, etc., which could be easily and cheaply procured on the farm near the consumer; and, beyond all, the laborer could not easily change his environment. Once located it was difficult for him to remove to other industrial neighborhoods, and this frequently operated to his disadvantage by limiting his employment and reducing his wage.

iii[1]

One of the effects the early railroads had upon manufacturing was the enlargement of the labor force. The railroads brought middle western farms in competition with New England and New York. These farms had been hard hit by the Erie Canal, but the railroads delivered a finishing blow. Farms in the East were abandoned to their fate and their former owners sought refuge in factories. Labor seeking factory jobs was a novel experience for America where manufacturers were accustomed to combing the highways and byways to induce workers to accept places in the mills. But the railroads did more than this; they gave an impetus to the use of farm machinery by opening territories where it was impossible to secure agricultural labor. The machines in turn freed farm laborers everywhere, and these former farm servants too drifted to the factories. Then the railroads extended dazzling opportunities to immigrants by making public lands available for settlement, thus starting an immigrant flow that the factories tapped to good advantage. After 1830, therefore, labor shortage was no longer so acute.

5. CHANGES IN ECONOMIC STRUCTURE

a) THE DIFFICULTIES OF EARLY INDUSTRY[2]

In a country so sparsely settled, yet so extensive in area as America, it was natural that labor would be scarce. Land was to be had for

[1] Taken with permission from Malcolm Keir, *Manufacturing Industries in America*, pp. 49–50. (The Ronald Press Company, 1920.)

[2] Adapted with permission from Malcolm Keir, *Manufacturing Industries in America*, pp. 32–36. (The Ronald Press Company, 1920.)

the taking, so why should any man work for another? As a consequence wages were very high, ranging from two to six times the cost of living. A mechanic even as late as 1832 could save enough in four to six months to buy an 80-acre farm. Farmers could afford high wages because they had no capital outlay for land, hence no interest charges; there were no tithes and taxes were low; on the other hand, the land gave a large increase and the market absorbed all that was grown. Yet even farmers had trouble in securing permanent labor and had to resort to importing convicts, indentured servants, or slaves. If farmers in a superior situation could not secure labor, how much more of a handicap was it to manufacturers in an inferior natural position. It costs so much to train workers that manufacturers must have a permanent labor force, yet in America the high wages paid, plus the cheapness of living, enabled wage workers to set up for themselves as proprietors of land in two or three years' time. Hence a manufacturer's force was always a succession of learners, a condition that operated forcibly in restricting manufacturing enterprises.

TABLE V

POPULATION IN THOUSANDS

Place	1701	1749	1775
New Hampshire	10	30	102
Massachusetts	70	220	352
Rhode Island	10	35	58
Connecticut	30	100	262
New York	30	100	238
New Jersey	15	60	138
Pennsylvania	20	250	341
Delaware	..		37
Maryland	25	85	174
Virginia	40	85	300
North Carolina	5	45	181
South Carolina	7	30	93
Georgia	.....	6	27

Furthermore the labor was not massed in towns or cities but spread out thinly over a wide area. This was particularly true in the southern colonies where the type of agriculture demanded large land holdings but did not call for town facilities because each plantation-owner sold his own produce over his own wharves. At the opening of the Revolution there were only 3,000,000 people in the colonies and these were scattered all the way from Maine to Georgia, as shown in the foregoing table from estimates printed in the Census of 1850.

Abundance of capital is as essential to manufacturing enterprises as an ample supply of labor. It is not true that there was an absence of capital in the colonies, but it is a fact that whatever capital was present constantly assumed fixed forms. It went into buildings, cattle, work animals, or tools, and left but little free to conduct a going business. Hence manufacturing might start, but it could not borrow capital for running expenses or for expansion. What small amount of capital was available constantly tended to flow abroad to pay for imports. The result of these facts in respect to capital is shown in the statement that in 1781 there were but three banks in America—one in Philadelphia, one in New York, and a third in Boston.

A lack of free capital might have been met by a system of long-term credits. But in a country so young, where capital was in such demand for establishing homes and farms, it was compulsory to make a small amount do a large aggregate of work; in short, the turnover of capital had to be large and quick. Hence long-term credits were unknown to American capitalists. The colonial efforts to provide a more elastic currency led only to inflation and high prices. Without labor, without free capital, and without credit, manufacturing could make but little headway in the colonial area. There was so little private enterprise that at the time of the Revolution Congress itself was forced to erect and operate the little forges and furnaces that furnished munitions of war.

Even if there had been an adequate labor force and a supply of capital, still there would have been little manufacturing in colonial America because of the absence of markets. The lack of money operated against extensive exchanges at a distance, and trade was by barter between individuals. These two facts—the economic independence of farmers, and the absence of money wages—practically eliminated any general market. Hence a manufacturer was strictly limited to his own neighborhood, and even there was put to much inconvenience to dispose of his wares.

This feature of American colonial manufacturing was heightened by the difficulty of transportation; distant overland journeys were impossible because the country was a well-nigh trackless forest. The only means of easy communication was by water. Any place available to American manufacturers by water was equally accessible to European producers and since the people preferred the better made, better finished European goods, American wares could not compete.

b) THE DEVELOPMENT OF THE STEEL INDUSTRY[1]

The story of iron and steel in the United States turns about one central theme, the market for the products. As the market has changed, so has the location of the industry shifted, its technique advanced, and its output been given new forms. Raw materials, especially fuel, have had an important bearing upon the manufacture of iron, particularly upon the localization of the primary branch that transmutes ore into pig iron; nevertheless the power of the market has dominated raw materials, and even forced the adoption of new fuels. An account of iron and steel is a miniature of the industrial chronicles of the United States.

While it is true that the industrial expansion of the East was reflected in the progress of iron manufacture, nevertheless by comparison with later events, the earlier iron trade was a small affair. The one factor of all others that has placed the iron industry of America before all competitors in the world is the railroad. Railroads have been the greatest consumers of iron within the history of that commodity. To build and equip the railways of the United States has taxed the iron industry to the utmost; it has enforced changes in location, the adoption of new fuels and ores, and an almost unbelievable advance in technique. Yet the full effect of the changes wrought was not felt until the Civil War.

The principal market for iron before 1860 had been in the East, for it was there that railways were first built, where factories prospered, and where the bulk of the population dwelt. After the war, railways pushed on beyond the Mississippi and became transcontinental in scope. To supply the materials for the construction and equipment of the railways expanding with such amazing rapidity staggered the already burdened iron industry. The influence of the railroads upon iron production, however, was by no means limited to the necessities of the roads themselves, for every other industry whose activity was increased by the railroads augmented the demand for iron.

For example, railroads made it possible to market wheat, corn, oats, and rye raised in the territory beyond the Mississippi, but it was impossible to plant, cultivate, and harvest great grain crops without the aid of machinery. Hence railroads indirectly stimulated the manufacture of labor-saving mechanism for use on farms, and each

[1] Adapted with permission from Malcolm Keir, *Manufacturing Industries in America*, pp. 96, 119, 123–26, 130–36. (Copyright by the Ronald Press Company, 1920.)

new device led to the adoption of another. Thus after 1855 reapers were sold as fast as they could be manufactured, and by permitting the harvesting of larger areas induced the adoption of more rapid threshing and cleaning machines. When these were obtained, seeders and cultivators were a necessary sequence, and so the chase went merrily onward, one mechanism prompting another. In 1830, 34 agricultural machines were patented; in 1831 the number was 38; in 1861, no less than 350 patents were issued; and in 1863, when machines took the place of war-drafted men, the number had advanced to 502.

The adoption of all this agricultural machinery meant a demand for iron and ever more iron. Each great farm using reapers, binders, and the like at the same time increased the existing demand for the simpler tools of farming such as hand-rakes, hoes, or shovels, and where wood was scarce wire fences were run along boundary lines to set pastures off from fields and to separate one man's holdings from his neighbors.

With such a market, the iron industry strained under the pressure put upon it and sought to adjust itself to the fast increasing needs. Greater output was the immediate, prime necessity, and under this lash startling advances were made in mechanism. Furnaces that were 45 feet high in 1859 were replaced by 75-foot stacks in 1872, whereat the world stood agape; but even these were not adequate, for by the time the century closed furnaces 110 feet high had been erected. The 35 tons a day output of 1860 was pushed to 50 tons ten years later. Within five years this figure was doubled and another five years saw it doubled again. By 1890 the daily output was 300 tons and since the opening of the twentieth century the astounding amount of 1,500 tons a day has been reached!

Steel was as well known to iron-makers as iron itself and had been manufactured in small quantities since the dawn of history. It had been used, however, only for the finest and most costly articles, such as high-grade cutlery, because it was so expensive to manufacture.

This riddle was solved in England by Sir Henry Bessemer.

This process of steel-making gave the world what is wanted: steel made in thirty minutes, not three months, steel little more expensive than iron, steel many times stronger than iron. But the United States had to wait eight years before it could use this great industrial boon; lawsuits stood in the path of progress. In 1856 when Bessemer

tried to patent his process in the United States he found that a William Kelly had made an independent discovery of the same idea and that Kelly claimed priority, a claim that was sustained. Naturally the two contestants were forced to consolidate, the event occurring in 1866. Fees and royalties were reduced in consequence and America began a belated use of the much-sought steel.

By 1897 however railroads and structural engineers found that they must use a better steel than Bessemer, so they turned to open-hearth. Between 1899 and 1904 the amount of open-hearth steel used for rails surpassed that made by the Bessemer process, and never again can the United States go back to the cheaper material. Indeed the Bessemer process is now often but one step in the production of open-hearth, for by combining the two methods the time necessary for the production of open-hearth is decreased a third and necessarily the cost is lowered.

The last half of the nineteenth century therefore witnessed rapid changes in the iron and steel industry; not only were there new enlarged furnaces, new ores, and new fuel, but there were also two new products, Bessemer and open-hearth steel. These changes were accompanied by changes in organization, for a great wide market induced large-scale production and this in turn paved the way for integration.

The same groups of men that owned rolling-mills in 1860 engaged ten years later in pig iron production, but under different corporate organizations. Likewise, a community of interest but not a physical connection, still later existed between fuel- and ore-producers on the one hand, and iron-makers on the other. When these separate corporations first started, they had many a desperate struggle to survive, not because a market was lacking but because it expanded at such a prodigious pace that the many necessary extensions of the plants caused the capital of the promoters to assume fixed forms. Consequently it was an advantage to keep each unit individualized despite the fact that all units belonged to the same persons, for as separate organizations, the units could create capital for each other by issuing notes that might be discounted at banks. For example, a furnace company, a rolling-mill, and a bridge plant might all belong to the same set of shareholders but the rolling-mill could issue notes to the furnace company and the bridge plant to the rolling-mill; the notes discounted for cash were so many additions to working capital. This method of keeping each other afloat would be denied to the

three corporations if they amalgamated as one complete unit, because a firm cannot discount its own notes without some other indorsements.

Twenty years after the Civil War, the iron industry had become firmly enough established to eliminate the use of credit in the manner just indicated. As soon as capital was more fluid, the inefficiency of keeping apart related plants became apparent; the intercompany profits and royalties were sources of annoyance and where plants were controlled by a few interested persons holding a majority of the stock, injustices to minority stockholders caused trouble. Therefore the various parts of the iron industry commenced to coalesce; rolling-mills absorbed furnace companies and amalgamated with fuel-producers. After a start in this direction, its economy and the consequent control of the market it afforded promoted further integration, so steel companies reached out for ore fields and then sought ownership of the transportation agencies.

When all the various stages of production from mining of the ore to finished rails, beams, or plates were unified under one authority, there followed an attempt to bring into the combine even the most important secondary producers, such as wire mills, tube factories and the like. This, in brief, has been the history of the Carnegie companies, the United States Steel Corporation, and, to a less degree, that of smaller aggregations. Big integrated corporations were a response to national and international markets. It is probably a fact that a great corporation like the United States Steel is as truly an evolution as that a national state grows from city principalities.

See also Selection 4*a*, chapter v: The Great Inventions.

C. A Typical Industrial Case

6. THE BOOT AND SHOE INDUSTRY

a) THE STAGES OF GROWTH

According to Blanche Evans Hazard, in *The Organization of the Boot and Shoe Industry in Massachusetts before 1875*,[1] from which the citations below are adapted, the development of the industry in Massachusetts, its main American center, can be traced through certain fairly definite stages roughly corresponding to the changes in business organization which had been taking place in England. Her

[1] (Copyright, Harvard University Press, 1921.)

classification is given below. It will at once be recognized that the lines of demarcation between stages were not clear-cut, that there has been much overlapping between them and that the stages represent simply the most outstanding characteristics of their respective periods. Note that "modern" manufacture dates from about 1855.

I. The Home Stage, in which the farmer-pioneer and his older sons made up in the winter around the kitchen hearth the year's supply of boots and shoes for the family, out of leather raised and tanned on their own or their neighbor's farm. In the less settled districts this method of securing footwear doubtless was continued until well into the nineteenth century. In thickly settled communities it was succeeded quite early (1654 in at least one case) by

II. The Handicraft Stage, in which the author distinguishes two phases: (*a*) "bespoke" work, or work done for a market on the specific demand of a definite customer, and (*b*) extra sale work, which involved making boots and shoes for stock. The transition from one to the other was gradual, and no year can be fixed which would be at all significant. A large proportion of these handicraftsmen came direct from England, bringing with them the traditions and legends of the craft, thus influencing the spirit of the industry for many years. Although this method of making shoes continued far into the nineteenth century, it can be regarded as the characteristic type of production in the larger settlements up to about the time of the Revolution.

III. The Domestic Stage, characterized by a putting-out system similar in general form to the corresponding organization in England. Its period was roughly from 1760 to 1855. Here again the author distinguishes separate phases (1) in which the domestic worker, although hired by a capitalist entrepreneur, still made the complete shoe, (2) marked by specialization in processes and the rise of a "central shop" and (3) marked by the growth of capital and markets, the growth of distinct boot and shoe centers, and the tendency of the entrepreneur to make shoe-making and selling his sole business instead of a side venture. The first phase was greatly stimulated by Revolutionary War sales, the demands of trade following the war, and a protective tariff. During the second phase the industry grew even more prosperous, aided by the development of new markets in the south and west and even in the West Indies and South America. It ended in a slump with the panic of 1837. As only the stronger manufacturers were able to regain their feet in the period which

followed, this slump meant a further concentration of control in fewer and larger establishments, which paved the way for the factory system to follow.

IV. The Factory Stage. "The Factory Stage did not come into existence in the boot and shoe industry because, as it is commonly supposed, the central shop was replaced by a larger building called a manufactory or factory, nor because of the installation in it of heavy expensive machinery, nor the use of power to run it, but because industrial organization, in order to secure uniformity of output, economy of time, labor and stock, demanded foremen to superintend, and regular hours of steady work on the part of men and women employed in all of the processes of shoemaking." The first phase—1855–1875—was marked by central supervision, the introduction of steam power, and the McKay sewing-machines. Like the second phase of the Domestic Stage, this period was characterized by a boom, during and after the Civil War, followed by a slump and a period of recuperation marked again by change and concentration of ownership. The second phase—1875 to date—has been marked by more intensive and larger scale production, the use of the Goodyear Welt machine, with consequent further alteration of processes, more acute competition, with ever-increasing variety of styles in attempts to capture the market, and greater attention throughout to economies in organization, the use of by-products and the like; the familiar story of the results of modern market conditions.

b) CHARACTERISTICS OF THE EARLY INDUSTRY

i. The Handicraft Stage, Brookfield, 1798 (Hazard, p. 21)

The inhabitants were all husbandmen. Even the few mechanics who wrought at their trades merely to supply town customers were farmers upon a larger or smaller scale. There was not more than a single mechanic whose wares were purchased abroad; while we were wholly dependent upon other places for most kinds of mechanical business no less than for merchandise. The population of the precinct of North Brookfield was about eleven hundred, nor did it vary essentially for nearly thirty years. The forge and the mills on Five Mile River were the main business centres, and Salmon Dean had a tannery in Spunky Hollow. Francis Stone had another tannery at Waits Corners, while David Thompson and Daniel Weatherby had a tan yard opposite the East Hill place. The town supported four carpenters, but every thriving man could hew, mortice, and lay

shingles. The cobblers of that day were Ezra Richmond, who had a small shop in the east part of the town; Malachi Tower, who lived in the old Dempsy house; Thomas Tucker and Abiel Dean who had benches in their kitchens, but used to go round to the farmers' houses in the fall with their kit and stay a week or so, mending and making the family supply of shoes.

ii. Work for Wholesale, 1811 (Hazard, p. 22)

"Mr. Micah Faxon was probably the first person that manufactured shoes for the wholesale trade in the town of North Bridgewater. He came from Randolph in 1811 and commenced cutting and making shoes in the house that was formerly occupied by the late Matthew Packard, and on the same lot where Mr. Faxon's house now stands. At that time there was no one in town that could bind the vamps and put the shoes together, and they were sent to Randolph to be made. At first he made one hundred pair of fine calf spring-heel shoes and carried them to Boston on horseback. His first lot was sold to Messrs. Monroe and Nash, a firm on Long Wharf, Boston, who were among the first to send goods to the South. When carriages came into common use, he carried his shoes into the city in wagons and brought out his own leather. The market-men and those that carried wood and other goods to market, used to bring out stock for him, which, of course, was in small lots at first."

iii. Three Generations of Shoemakers (Hazard, pp. 138–39)

In the Leach family, three generations of shoemakers spanned three periods of the boot and shoe industry. Levi, living and working under the Custom Stage, succeeded by his son, George Martin, who lived through Custom and Domestic into the Factory Stage, had a grandson, George Myron Leach, who learned in the Domestic Stage and worked in factories until after 1889. Their story is probably so typical of eastern Massachusetts that it can be used here as an illustration of the trend of the times and trade.

Levi Leach (born 1775 in Halifax, Massachusetts) was a farmer in South Bridgewater who taught school in winter and made shoes in a ten-footer, which he built in his "side front yard." His work was custom work. Where he himself learned the trade is not remembered, but knowing conditions in the Bridgewater regions during his youth and early manhood would make us wonder if he had been an itinerant cobbler, like Paul Hathaway, who settled down in his own shop and began custom work. This Levi Leach, besides teaching school three

months each year, taught his three sons, George, Levi, and Giles, to make shoes. When the eldest son, George Martin (born 1821), was twenty-one, he went to East Middleboro and repeated his father's program in buying a farm and farming it, building a ten-footer in his orchard near the street, and teaching the village school three months a year. The work in his shop, however, was of the custom sort. He was soon buying stock, cutting it up, both sole and upper leather, for brogans and Oxfords, and sending the uppers out to women in the neighborhood to bind and side up. After this work was brought back to his ten-footer, which now had become a central shop, the uppers were inspected and sent out to be bottomed in various ten-footers in the near neighborhood or by people "down Plymouth way." By the time his younger son, George Myron (born 1845) was seven years old, George Martin Leach had outgrown his ten-footer, and had been taken into partnership by Deacon Eddy of East Middleboro, who already had a successful grocery business and the post-office on the lower floor of his two-story square building. Deacon Eddy put into the venture $10,000 which he had made in the shovel business, and Leach put in only $200 in cash, but brought knowledge and experience of the manufacturing of shoes. Their business was largely in brogans for the Southern trade, mainly for New Orleans. The second story of the Eddy building was used for their central shop. Here both sons, George Myron and Giles, learned the trade, pasting linings in brogans, then closing seams. The stint for a twelve-year old for a Saturday forenoon was to side up ten pair of brogans, using barrel staves for clamps. By the time George was old enough to understand machinery, his father's firm had invested in a stitching machine for uppers and George Myron and his brother Giles had full charge of the stitching in a small fourteen by fourteen ell added to the back of the building.

By 1860, when Deacon Eddy was ready to retire from the firm, the Eddy and Leach central shop was becoming a factory where most of the bottoming as well as the cutting and crowning was being done under supervision in the shop. Leach kept up the firm until 1874, but instead of competing with other manufacturers who were buying and installing expensive machinery, he became more and more a jobber, buying up and selling shoes already made. Meanwhile both sons, George Myron and Giles, had moved to Raynham and were working in shoe factories there and in Brockton as stitchers, George keeping it up until 1889.

c) CHANGES IN MACHINERY AND PROCESSES

i. Before 1830 (Hazard, pp. 3–4)

The tools and processes of shoemaking in all countries and ages prior to 1830 were few and easily mastered. Skill and good materials made excellent shoes fit for a princess; but the same tools and processes were useful for making the crudest shoes such as mediaeval serfs wore. From time immemorial, there have been 2 parts to a shoe: an upper and a sole; 4 processes in making a shoe: cutting, fitting, lasting, bottoming; 8 tools necessary for making a shoe: knife, awl, needle, pincers, last, hammer, lapstone, and stirrup.

These four processes could be performed adequately with just those eight tools by any frontier farmer in his colonial kitchen. From 1620 up to 1830, there were no machines for preparing leather, nor for making shoes in Massachusetts, or anywhere. A lapstone and a hand-made hammer were used for pounding the leather; a single knife for cutting both sole and upper leather. An awl to bore holes, and a needle or a bunch of bristles were necessary for sewing the shoes. This process was called fitting, and consisted of sewing the parts of the upper together. When the upper was fitted, it was slipped on the last, which had an insole tacked to it, and its lower edge pulled over this wooden form tightly with pincers until it could be fastened temporarily with nails. Then the outer sole was either sewed or pegged on to this lasted upper. The last in the shoe was meanwhile held firmly in place by a strap or stirrup, which passed over it and down between the shoemaker's knees where the shoe rested, and was held taut under his left foot.

ii. The Coming of Machinery, 1840 (Hazard, pp. 93–94)

Up to about 1840, the shoemaker had used mainly just such tools as had been used for centuries. Then there came a little skiving machine, run by hand, and not very satisfactory to the older men, accustomed to skiving with a regular knife. The next machines to be invented for boot and shoe work were the stripper, for cutting up sides of sole leather, and a leather-rolling machine, which came in 1845 to save both time and strength formerly used in hammering the sole leather on a lapstone.

Because the market was already making hints if not demands as to styles instead of accepting quietly anything the shoemaker provided, the use of different shapes and widths of block lasts came in the early 40's. Shoemakers no longer depended upon "instep leathers" for

making "fulls" and "slims." Substantial patterns came into use. Sole patterns which gave uniformity of shape and width at ball and shank, and patterns for rounding the soles after they were stitched, were invented. Irons for polishing the edges came into use. Heels were put on women's shoes again, and men began to specialize in heeling. Several styles of pegging machines, and a machine for cutting up pegs had been patented and put in general use by the time the sewing machine, invented by Howe in 1846, had been adapted to upper leather work on shoes by John Brooks Nichols in 1852. There was the "dry thread" machine with a shuttle and two threads for the lighter upper work, and the "wax thread" to do chain stitching for the heavy work of "siding up" bootlegs. These sewing machines even then impressed people with their significance. Instead of merely making things easier or a "bit more speedy," they produced work which could not be matched by hand in either speed or appearance.

iii. Processes, 1920 (Hazard, pp. 159–60)

Of the 100 or more operations of a modern factory, more than 50 may be performed by machines. The number of operations, both hand and machine, varies with the process and product and the equipment of the factory. These operations are listed and briefly described in a bulletin of the United States Department of Labor on Wages and Hours of Labor in the Boot and Shoe Industry. No attempt has been made to explain or paraphrase them. They are given to present in bold relief a picture of the complexity of modern shoe making in contrast with the simplicity of the early craft.

The occupations for which data are shown are here listed in alphabetical rather than process order, under each department. The departments, however, are listed in process order.[1]

[1] This classification, in conjunction with the preceding paragraphs, should give a vivid sense of the specialization which the machine and modern organization have brought with them. Census classifications do not permit any estimate of the number of "jobs" which exist in modern industry, and such a classification is probably impossible. Schmoller, in the *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft*, XIII, 1045 (quoted in Weber, *The Growth of Cities*, p. 175), gives the following suggestive estimate of the numbers of "trades" practised in ancient, medieval, and modern times in various places: Rome, 10–20; Greece (337 A.D.), 35; Frankfort (1387), 148; Frankfort (1440), 191; Frankfort (1500), 300; China (1890), 350; Germany (1882), 4,785. The number of diverse occupations in modern America is of course infinitely greater. This fact should carry with it a realization not only of the change in the character of the workman's task but of the comparative complexity of the problem of co-ordinating specialisms in modern society, both in the individual establishment and in the economic organization as a whole. Recall in this connection Selection 5*b*, chapter v: *The Iron Man.*

Cutting department:
- Cutters, lining, cloth, male
- Cutters, vamp and whole shoe, hand, male
- Cutters, vamp and whole shoe, machine, male
- Skivers, upper, machine, male
- Skivers, upper, machine, female

Sole-leather department:
- Channelers, insole and outsole, male
- Cutters, outsole, male

Fitting or stitching department:
- Backstay stitchers, female
- Button fasteners, female
- Buttonhole makers, female
- Closers-on, female
- Lining makers, female
- Tip stitchers, female
- Top stitchers or undertrimmers, female
- Vampers, male
- Vampers, female

Lasting department:
- Assemblers, for pulling-over machine. male
- Bed-machine operators, male
- Hand-method lasting-machine operators, male
- Pullers-over, hand, male
- Pullers-over, machine, male

Bottoming department:
- Buffers, male
- Edge setters, male
- Edge trimmers, male
- Goodyear stitchers, male
- Goodyear welters, male
- Heel breasters, male
- Heel burnishers, male
- Heelers, male
- Heel scourers, male
- Heel-seat nailers, male
- Heelsluggers, male
- Heel trimmers or shavers, male
- Levelers, male
- McKay sewers, male
- Rough rounders, male

Finishing department:
- Treers or ironers, hand, male
- Treers or ironers, hand, female

d) CAPITAL INVESTED, OUTPUT, AND NUMBER OF WORKERS EMPLOYED

i. 1860 (Hazard, pp. 112–13)

Lynn shoe manufacturers had also been active in building substantial new factories of brick or wood. A ten-hour system had gone into effect and bells ringing at 6:00 P.M. put an end to the working day. By the returns of the United States Census of 1860, Lynn was manufacturing boots and shoes to a higher value ($4,750,000) than any city in the United States except Philadelphia, whose output a year was valued at $5,500,000. Haverhill was a close third with a value at $4,000,000. These three cities, together with New York City, made one-fifth of the total value of shoes and boots in the United States in 1860. This total was given in the *Report on Boot and Shoe Manufacture* as $91,891,498. To produce boots and shoes to this value 123,029 persons were engaged in different parts of the United States, working in 12,487 establishments, and using a capital of

$23,358,527. They consumed that year raw materials worth $42,729,649. This total product of the boot and shoe industry in the United States was 70 per cent above that of 1850. New England's share in the number of establishments devoted to this shoe industry was 2,439.

The New England boot and shoe shops and factories gave employment to nearly $11,000,000 of capital out of the twenty-three millions invested in the shoe industry throughout the United States. They employed 52,010 males, and 22,282 females, out of the total of 123,029 employed in the whole United States in boot and shoe making. The product of their labor was $54,818,148, or nearly 60 per cent of the whole value of boot and shoe making in the whole country. The average value of boots and shoes made in each of the New England establishments was $22,475 per year.

ii. 1914[1]

Number of establishments	1,960
Wage-earners	206,088
Capital invested	$297,609,000
Value of products	$590,028,000

iii. Comparisons between 1860 and 1914

Average capital invested per establishment, 1860	$ 1,800†
Average capital invested per establishment, 1914	$125,500†
Average workers per establishment, 1860	10
*Average workers per establishment, 1914	105
Output per worker, 1860	$ 740†
*Output per worker, 1914	$ 2,383†

* Wage-earners only.

† Allowance made for change in price levels based on the chart in Professor H. G. Moulton's *Financial Organization of Society*, p. 31. According to this estimate $1.00 in 1860 was equal in value to approximately $1.20 in 1914.

D. Modern American Occupational Groups: A Statistical Analysis

[NOTE.—For convenience in reference the statistical data which illustrates and supplements the preceding material of this chapter has been concentrated mainly in this part. It should serve to make more concrete much of the foregoing discussion, at the same time adding much significant detail. The main purpose of the section is

[1] Taken from *Statistical Abstract of the United States*, 1920.

to present statistically a picture of the changes which have taken place in the economic organization of the United States within the past forty years, and to give a rough impression of the character of the specialists who take part in the present national scheme of production.—ED.]

7. ECONOMIC CLASSES IN THE UNITED STATES[1]

If all the urban wage-earners of the United States were to unite politically, would they constitute an overwhelming majority? What is the relative numerical strength of industrial wage-earners as compared to business proprietors and officials? What is the relative industrial and political strength, numerically, of the rural population? Under the existing industrial organization, how much room is there at the top? What opportunity is there for the average individual to rise to a position of comparative independence as proprietor, executive official, or professional person? In short, what proportion of the gainfully employed persons in the United States is compelled by the existing structure of industrial society to remain in the wage-earning class? Who is the "public" so far as industrial disputes are concerned, and how large is this class? In the conflicts that are forming on the basis of industrial class alignments, what is the maximum strength that the various groups may hope to muster?

It was found feasible to group all gainfully employed persons as reported in recent census volumes into the following main classifications: (1) farm laborers, (2) farmers, (3) proprietors and officials, (4) professional class, (5) lower salaried employees, (6) servants, (7) industrial wage-earners, (8) unclassified.

The designation "farm laborers" includes members of the family working on the home farm and laborers working out. This differentiation is made, however, only in the two censuses of 1910 and 1900. In 1910 the "home" laborers constituted 53.9 per cent of all farm laborers, and in 1900, 53.7 per cent. It was assumed that approximately this ratio obtained in the earlier decades as well, and the number of "home" laborers was therefore estimated by taking 53.8 per cent of the total number of farm laborers. Fifty-four per cent of all farm laborers in 1900 were under 21 years of age. It thus appears that the laborers

[1] Adapted with permission from Alvin H. Hansen, "Industrial Class Alignments in the United States," *American Statistical Association Quarterly*, December, 1920, pp. 417–22. (American Statistical Association, Publishers, New York.)

working on the home farm are children of farmers not yet of age, while the laborers working out are very largely adults.

"Farmers" includes farmers, planters, dairymen, stock raisers, herders, drovers, and feeders. For the year 1910, gardeners, florists, fruit growers, and nurserymen are also included. The latter groups were for the earlier periods relegated to the unclassified group because the reports for those years do not distinguish between proprietors and laborers. "Farmers" includes both farm owners who farm their own land and tenants. In 1880 about 75 per cent owned their land, while in 1910 only 63 per cent were owners of the land operated.

"Proprietors and officials," as the designation is here used, includes manufacturers and officials; proprietors, officials, and managers; transportation officials and superintendents; mining operators, officials, and managers; mechanical engineers; officials of banks and other companies; bankers and brokers; real estate and insurance agents; commercial travelers; merchants and dealers at retail and wholesale; auctioneers; undertakers; jewelers (not workers); livery stable keepers; garage keepers and managers; proprietors and managers of transfer companies; hucksters and peddlers; hunters and trappers; saloon keepers; restaurant keepers; hotel keepers; and boarding-house keepers.

The "professional class," for the purpose of this classification, is used in a broad sense and includes not merely the groups regularly referred to as professional, but also untrained nurses and such public service groups as detectives; sheriffs; marshals; policemen; officials and inspectors of municipalities, counties, states, and the federal government; soldiers, sailors, and marines; and life-savers.

The "lower salaried employees" class includes foremen and overseers, clerks and copyists, stenographers and typewriters, bookkeepers and accountants, agents and collectors, inspectors and samplers, demonstrators, sales agents, ticket and station agents, express agents, baggage men and freight agents, mail carriers, chauffeurs, house-keepers, and stewards.

The "unclassified" group includes, in part, groups referred to in the census reports under some indefinite designation such as "other pursuits." Much the greater portion of this group, however, is composed of occupations for which the designation does not distinguish between proprietor and workman, such as watchmaker, milliner, launderer, shoemaker, brewer, distiller. From 60 to 80 per cent is composed of master and journeymen trades, in which it is impossible

to distinguish between proprietor and workman, such as barbers, bakers, blacksmiths, butchers, painters, paperhangers, plasterers, plumbers, and tailors. It is to be noted, therefore, that this "unclassified" group would, if accurate classification were possible, fall very largely in either the proprietor class or the industrial wage-earning class. In all probability the proportion of entrepreneurs in this unclassified group is somewhat greater than the ratio obtaining between the designated proprietor and official class and the industrial wage-earning class. Especially is this true of the earlier decades for the reason that specialization and large scale production had not yet fully developed. For the same reason the occupation designations prior to 1910 necessarily distinguish less clearly among employers, employees, and persons working for themselves. Not only is the unclassified group larger, therefore, in the earlier periods, but—and perhaps this is of still greater importance—the proportion of entrepreneurs and proprietors to wage-earners is also larger in the earlier decades. The net effect is that the number given in the proprietor and official group in the following table is something of an understatement, particularly for the earlier census periods.

"Industrial wage-earners" includes all wage-earners except servants, farm laborers, and that portion of the wage-earning class which falls for lack of clear census designation into the unclassified group.

The number of gainfully employed persons falling into each of the classifications just described is given in Table VI. The percentage distribution is given in Table VII. It will be noted that the proprietor and official, professional, salaried, and wage-earning groups have steadily become more important relatively. Servants have declined in relative numerical importance. Farmers held their own until after 1890 and then upon the disappearance of free land rapidly declined. The percentage of farm laborers decreased rapidly until 1890, which indicates that while free land could be obtained a larger and larger proportion of our agricultural population were becoming independent farmers. Since 1890 the proportion of the rural population that are farm laborers has been rapidly increasing. There also appears to be some increase in the farm labor class as compared to the total gainfully employed population. However, because of inadequate instructions to enumerators, earlier censuses do not give so complete returns for farm laborers as does the 1910 census. From 1900 to 1910 there was probably a slight decrease (instead of the apparent slight increase

indicated) in the proportion of farm labor to the total gainfully employed population.

TABLE VI*

Groups	1870	1880	1890	1900	1910	1920
Farm laborers	2,885,996	3,323,876	3,004,061	4,410,877	6,143,998	4,178,637
Farmers	3,000,229	4,282,074	5,370,181	5,770,738	6,229,161	6,463,708
Proprietors and officials	581,378	807,049	1,347,329	1,811,715	2,879,023	3,168,418
Professional	414,708	666,338	1,114,507	1,565,986	2,074,792	2,760,190
Lower salaried	309,413	529,473	965,852	1,329,928	2,393,620	3,985,306
Servants	973,734	1,075,655	1,454,791	1,453,677	1,572,225	1,270,946
Industrial wage-earners	3,328,351	5,286,829	7,360,442	10,263,569	14,556,979	17,648,072
Unclassified	1,010,114	1,420,795	2,118,498	2,467,043	2,317,538	2,138,971
Total	12,505,923	17,392,099	22,735,661	29,073,233	38,167,336	41,614,248

TABLE VII*

Groups	1870	1880	1890	1900	1910	1920
Farm laborers	23.1	19.1	13.2	15.2	16.1	10.0
Farmers	24.0	24.6	23.6	19.8	16.3	15.5
Proprietors and officials	4.6	4.6	5.9	6.2	7.5	7.6
Professional	3.3	3.8	4.9	5.4	5.4	6.6
Lower salaried	2.5	3.0	4.3	4.6	6.3	9.6
Servants	7.8	6.2	6.4	5.0	4.1	3.1
Industrial wage-earners	26.6	30.4	32.4	35.3	38.2	42.4
Unclassified	8.1	8.2	9.3	8.5	6.0	5.1

* Professor Hansen's original analysis extended only through the 1910 census. In a note in the December, 1922, issue of the *Journal of the American Statistical Association*, however (pp. 503–6) he carries the study through the 1920 census. His figures for 1920 have therefore been incorporated in Tables VI and VII. His comment on changes for 1920 follows in part:

"The number of farm laborers has enormously decreased, both absolutely and relatively. This is explained in the 1920 census bulletin on occupational statistics as follows: First, the change in the census date from April 15 to January 1 tended to reduce the number of agricultural laborers for two reasons: (1) fewer laborers were employed in agriculture at that season and hence many laborers who would have been employed as farm laborers in April were returned in January under some other occupation: (2) children living on the home farm were in many cases not returned as either gainfully employed or attending school, whereas had the census data been for April instead of January they would doubtless have been returned as gainfully employed. In the second place the war resulted in a considerable transfer of labor from the farms to the factories. For these reasons it can scarcely be doubted that the figure for agricultural laborers for 1920 is an understatement. On the other hand the 1910 figure for farm laborers is an overstatement compared to the figures given in the earlier census reports. At all events it appears clear that the proportion of farm laborers to the total gainfully employed is not increasing and is probably no greater now than it was in 1890. This is striking, in view of the disappearance of free land and the increasing expense of setting up as independent farmers. The explanation no doubt lies in the increasing industrialization of the country with the consequent drain of labor to the cities."

Increasing industrialization.[1]—The increasing industrialization of the country and the relatively declining importance of agriculture are indicated in Table VIII. Here the gainfully employed population is

[1] "There was a considerable *absolute* decrease in the servant class and a very great *relative* decrease from 1910 to 1920. This is in line with a steady decline since 1870. This decrease is however more apparent than real. Personal service work has increasingly become industrialized. A large part of the work which was done in the home in 1870 was done outside of the home in 1920. The preparation of food is a case in point.

"In the farming class there was a slight *absolute* increase but a slight *relative* decline. The professional class continued the steady increase it has shown since

grouped under three categories, if we omit from our consideration that portion designated as unclassified. The first group includes the proprietors and officials, the lower salaried and professional classes. It is the "white collar" urban population, not all even moderately well circumstanced, but constituting on the whole the middle and upper urban class. The second group is composed of all gainfully employed agriculturists—the farmers, tenants, and farm laborers. This group represents what remains of the old type of American individualists. The industrious and frugal tenant in most cases still becomes in time, though with increasing difficulty, a farm owner. The farm laborer, with the exception of the relatively small migratory class, hopes to save enough to set up as an independent tenant. Getting on is still largely a matter of individual push and initiative. True, the problems of organization and control of markets loom larger and larger, but the road to independence and advancement is still open even though it is not so easy and broad as before. The third class is composed of urban workers—the industrial wage-earners and servants. They are for the most part shut up in the wage system. If they are to better their condition they must do so not by way of escape to something else, but by improvement of their lot as wage-workers.

The farming group is being increasingly cut into on one side by the business, salaried, and professional group, and on the other side by the industrial wage-earners. The relative growth of the former group would seem to be a healthy sign, but it should be noted that a large part of this growth, nearly a half in fact, is due to the rapid increase of the lower salaried employees whose position is certainly not very desirable. Further than that, not only is the rural group declining in relative importance, but within that group itself the opportunities for advancement are narrowing down, as has already

1870. Proprietors and officials, lower salaried, and industrial wage-earners—all subject to the influence of increasing industrialization—show increases quite similar to those previously registered. The lower salaried class especially has been growing in importance, increasing nearly 40 per cent relatively to other classes from 1900 to 1910, and over 50 per cent from 1910 to 1920. The percentage increase in industrial wage-earners is as follows:

1870 to 1880	14.3
1880 to 1890	6.6
1890 to 1900	9.0
1900 to 1910	8.2
1910 to 1920	11.1

"—Hansen, *op. cit.*

been shown, because of the encroachment of tenants and farm laborers upon the farm owning class.

TABLE VIII*

Groups	1870	1880	1890	1900	1910
Urban upper and middle	10.4	11.4	15.1	16.2	19.2
Rural	47.1	43.7	36.8	35.0	32.4
Urban workers	34.4	36.6	38.8	40.3	42.3
Unclassified	8.1	8.2	9.3	8.5	6.0

* "The 'urban upper middle' classes, including the proprietors and officials, professional and lower salaried groups, have increased from 19.2 per cent of the total gainfully employed in 1910 to 23.8 per cent in 1920. The 'urban workers,' including the industrial wage-earners and the servant groups, have increased from 42.3 per cent in 1910 to 45.5 per cent in 1920. On the other hand the 'rural group,' including farmers and farm laborers, has decreased from 32.4 per cent in 1910 to 25.5 per cent in 1920."—Hansen, *op. cit.*

Industrial independence.—Yet in spite of these tendencies it is surprising to find what a large proportion of the gainfully employed population are business men, farmers, and professional men. Table IX shows that in 1910 about 38 per cent still belonged to this independent class. Disregarding again the unclassified, the gainfully employed population is here placed in two groups. One group is composed of the business and professional classes, farmers, and the children of farmers. The latter, of course, expect to become independent farmers upon reaching maturity, and hence, while listed as laborers, from the standpoint of this classification they may properly be classed with the farmers. This, then, is the industrially independent group, independent not so much from the standpoint of income as from the standpoint of being one's own boss.

The second group is composed of the rural and industrial wage-earners and the lower salaried employees. No doubt some of this

TABLE IX

Groups	1870	1880	1890	1900	1910
Proprietary and independent	44.3	43.3	41.5	39.6	37.9
Rural and urban working	47.6	48.4	49.2	51.9	56.0
Unclassified	8.1	8.2	9.3	8.5	6.0

group receive incomes in excess of many farmers, and even of professional and business men. But their outlook is different because of their place in the industrial system. The old type of American industrial ideals, based on individual proprietorship and industrial independence, may be expected to hold sway—so far as the former

group is concerned. But the old slogans do not fit the life of the latter group, and the old appeals cannot be expected in the long run to be successful. This is by no means saying that it is a homogeneous group or that any one type of appeal can be made to all.

See also Selection 8*b*, chapter v: Shifts in Occupational Groups.

8. A CLASSIFICATION BY SEX

a) TABLE X*

NUMBER AND PERCENTAGE OF PERSONS ENGAGED IN GAINFUL OCCUPATIONS FOR EACH CENSUS FROM 1880 TO 1920

Sex and Census Year	Population Ten Years of Age and Over	Persons Ten Years of Age and Over Engaged in Gainful Occupations	
		Number	Percentage
Both sexes:			
1920	82,739,315	41,614,248	50.3
1910	71,580,270	38,167,336	53.3
1900	57,949,824	29,073,233	50.2
1890	47,413,559	23,318,183	49.2
1880	36,761,607	17,392,099	47.3
Male:			
1920	42,289,969	33,064,737	78.2
1910	37,027,538	30,091,564	81.3
1900	29,703,440	23,753,836	80.0
1890	24,352,659	19,312,651	79.3
1880	18,735,980	14,744,942	78.7

* Compiled from the *U.S. Census*.

b) TABLE XI*

CHANGES IN THE PROPORTION OF WOMEN GAINFULLY EMPLOYED IN THE UNITED STATES BETWEEN 1880 AND 1920

Year	Number Employed	Percentage of Total Number of Women and Girls over Ten Years
1880	2,647,000	14.7
1890	4,005,000	17.4
1900	5,319,000	18.8
1910	8,076,000	23.4
1920	8,549,000	21.1†

* Compiled from the *U.S. Census*.

† The apparent decrease in the percentage of women gainfully employed in 1920 is not wholly a real decrease. Owing to a change in the method of taking the Census in 1910 the number for that year is greatly exaggerated. About 1,000,000 too many women working on farms were included as gainfully employed in that year but do not appear in the other census figures.

For additional data on the employment of women and children, see chapters x and xxvi.

9. A CLASSIFICATION BY RESIDENCE: URBANIZATION

a) TABLE XII*

URBAN† AND RURAL POPULATION OF THE UNITED STATES: 1880–1920

Class	1920	1910	1900	1890	1880
Urban	54,304,603	42,166,120	30,380,433	22,298,359	14,358,167
Rural	51,406,017	49,806,146	45,614,142	40,649,355	35,797,616
Total number	105,710,620	91,972,266	75,994,575	62,947,714	50,155,783
Urban	51.4	45.8	40.0	35.4	28.6
Rural	48.6	54.2	60.0	64.6	71.4
Total per cent	100.0	100.0	100.0	100.0	100.0

* *United States Census*, 1920, I, 43. (Government Printing Office, Washington, D.C., 1921.)

† By urban is meant all cities and towns over 2,500.

b) TABLE XIII*

POPULATION IN PLACES OF 8,000 INHABITANTS OR MORE, 1790–1920

Census Year	Total Population	Places of 8,000 Inhabitants or More		
		Population	Number of Places	Percentage of Total Population
1920	105,710,620	46,307,640	924	43.8
1910	91,972,266	35,570,334	768	38.7
1900	75,994,575	25,018,335	547	32.9
1890	62,947,714	18,244,239	445	29.0
1880	50,155,783	11,365,698	285	22.7
1870	38,558,371	8,071,875	226	20.9
1860	31,443,321	5,072,256	141	16.1
1850	23,191,876	2,897,586	85	12.5
1840	17,069,453	1,453,994	44	8.5
1830	12,866,020	864,509	26	6.7
1820	9,638,453	475,135	13	4.9
1810	7,239,881	356,920	11	4.9
1800	5,308,483	210,873	6	4.0
1790	3,929,214	131,472	6	3.3

* *United States Census*, 1920, I, 43.

See also Selection 8*a*, chapter v: Transport and the Drift to the Towns.

c) TABLE XIV*

DISTRIBUTION OF POPULATION IN GROUPS OF CITIES CLASSIFIED ACCORDING TO SIZE AND IN RURAL TERRITORY: 1890–1920

Class of Places	Percentage of Total Population			
	1920	1910	1900	1890
Urban Territory	51.4	45.8	40.0	35.4
Places of 1,000,000 or more	9.6	9.2	8.5	5.8
Places of 500,000 to 1,000,000	5.9	3.3	2.2	1.3
Places of 250,000 to 500,000	4.3	4.3	3.8	3.9
Places of 100,000 to 250,000	6.2	5.3	4.3	4.4
Places of 50,000 to 100,000	5.0	4.5	3.6	3.2
Places of 25,000 to 50,000	4.8	4.4	3.7	3.6
Places of 10,000 to 25,000	6.6	6.0	5.7	5.4
Places of 5,000 to 10,000	4.7	4.6	4.2	3.8
Places of 2,500 to 5,000	4.3	4.2	4.1	4.0
Rural Territory	48.6	54.2	60.0	64.6
Incorporated places of less than 2,500	8.5	8.9	8.3	7.6
Other rural territory	40.1	45.3	51.7	57.0
Total population United States	100.0	100.0	100.0	100.0

* *United States Census*, 1920, I, 50.

10. CHANGES IN SIZE AND ORGANIZATION OF INDUSTRIES

a) TABLE XV*

MANUFACTURING ESTABLISHMENTS IN THE UNITED STATES, 1919, CLASSIFIED ACCORDING TO NUMBER OF WAGE-EARNERS

Establishments Employing	Establishments, Wage-Earners, and Percentage of Total			
	Number of Establishments	Number of Wage-Earners	Percentage of Total	
			Establishments	Wage-Earners
No wage-earners	37,934	.....	13.1	.....
1 to 5 wage-earners	141,742	311,576	48.9	3.4
6 to 20 wage-earners	56,208	631,290	19.4	6.9
21 to 50 wage-earners	25,379	829,301	8.7	9.1
51 to 100 wage-earners	12,405	888,344	4.3	9.8
101 to 250 wage-earners	10,067	1,581,557	3.5	17.4
251 to 500 wage-earners	3,600	1,251,081	1.2	13.8
501 to 1,000 wage-earners	1,749	1,205,627	0.6	13.3
Over 1,000 wage-earners	1,021	2,397,596	0.4	26.4
Total	290,105	9,096,372	100.0	100.0

* Taken from the *Statistical Abstract of the United States* (U.S. Department of Commerce), 1921, p. 221.

b) TABLE XVI*

UNITED STATES MINES, 1919: PERCENTAGE OF OPERATORS AND WAGE-EARNERS BY SIZE OF ESTABLISHMENTS

Number of Wage-Earners Employed	Percentage of Operators	Percentage of Wage-Earners
No wage-earners	17.5	.....
1 to 5	37.2	1.7
6 to 20	18.6	4.5
21 to 50	10.9	7.7
51 to 100	6.4	10.0
101 to 500	8.2	38.4
501 to 1,000	0.9	12.8
Over 1,000	0.4	24.8

* Taken from the *U.S. Census*, 1919, volume on Mines and Quarries, p. 21.

c) TABLE XVII*

MANUFACTURES: CLASSIFIED ACCORDING TO SIZE OF ESTABLISHMENT AND MEASURED BY THE VALUE OF PRODUCTS, 1904, 1909, 1914, 1919

Value of Product and Year	Establishments, Percentage of Total	Wage-Earners, Percentage of Total	Products, Percentage of Total	Added by Manufacture Percentage of Total
Less than 5,000:				
1904	32.9	1.9	1.2	1.8
1909	34.8	2.2	1.1	1.7
1914	35.2	1.8	1.0	1.5
1919	22.6	0.5	0.3	0.4
5,000 and less than 20,000:				
1904	33.7	7.7	5.1	6.7
1909	32.4	7.1	4.4	6.0
1914	31.9	6.1	3.7	5.1
1919	30.1	2.7	1.5	2.2
20,000 and less than 100,000:				
1904	22.2	18.8	14.4	17.3
1909	21.3	16.5	12.3	14.8
1914	20.6	14.2	10.5	12.5
1919	26.9	8.7	5.7	7.0
100,000 and less than 1,000,000:				
1904	10.3	46.0	41.3	44.2
1909	10.4	43.8	38.4	41.9
1914	11.0	42.7	36.2	39.4
1919	16.9	31.2	24.8	28.1
1,000,000 and over:				
1904	.9	25.6	38.9	29.9
1909	1.1	30.5	43.8	35.7
1914	1.4	35.2	48.6	41.4
1919	3.6	56.9	67.8	62.3

* Taken from the *Statistical Abstract of the United States* (U.S. Department of Commerce), 1921, p. 222.

d) TABLE XVIII*

MANUFACTURES[1]: CLASSIFIED ACCORDING TO CHARACTER OF OWNERSHIP OF THE ESTABLISHMENT
1904, 1909, 1914, 1919

Character of Ownership and Year	Establishments		Wage-Earners		Products		Added by Manufacture	
	Number	Percentage of Total	Average Number	Percentage of Total	Value in Dollars	Percentage of Total	Value in Dollars	Percentage of Total
Individual:								
1904	113,946	52.7	755,923	13.8	1,702,830,624	11.5	824,292,887	13.1
1909	140,605	52.4	804,883	12.2	2,042,061,500	9.9	968,824,072	11.4
1914	142,436	51.6	707,568	10.1	1,925,518,298	7.9	903,524,881	9.1
1919	138,112	47.6	623,468	6.9	3,536,321,836	5.7	1,555,136,394	6.2
Corporation:								
1904	51,097	23.6	3,862,698	70.6	10,904,069,307	73.7	4,526,055,153	71.9
1909	69,501	25.9	5,002,393	75.6	16,341,116,634	79.0	6,582,207,117	77.2
1914	78,151	28.3	5,649,646	80.3	20,177,084,844	83.2	8,088,691,744	81.9
1919	91,517	31.5	7,875,133	86.6	54,744,392,855	87.7	31,817,546,565	87.0
Other:								
1904	51,137	23.7	849,762	15.5	2,187,002,632	14.8	943,346,713	15.0
1909	58,385	21.7	807,770	12.2	2,288,873,736	11.1	978,229,803	11.5
1914	55,204	20.0	679,123	9.7	2,143,831,582	8.8	886,129,268	9.0
1919	60,476	20.8	597,771	6.6	4,137,364,082	6.6	1,669,015,531	6.7

* Taken from the *Statistical Abstract of the United States* (U.S. Department of Commerce), 1921, p. 222.

e) TABLE XIX*

FORM OF ORGANIZATION OF PRODUCING MINING ENTERPRISES IN THE UNITED STATES, 1919

Form of Organization	Number of Enterprises	Percentage of Total		
		No. of Enterprises	No. of Wage-Earners	Value of Product
Corporation	10,879	51.1	94.2	93.6
Individual	4,312	20.3	2.5	2.3
Firm	5,249	24.7	2.9	3.3
Other	840	3.9	0.4	0.9
Total	21,280	100.0	100.0	100.0

* Taken from the *U.S. Census*, 1919, p. 19 of volume on Mines and Quarries.

[1] The following figures, taken from the Census of Manufactures, 1920, throw some additional light on the trend of organization in the last twenty years:

In 1899, the number of factories, exclusive of hand and neighborhood industries, was 207,514; in 1919 it was 290,111; a percentage increase of 39.8. In the same two years their capitalization (in millions) was respectively $8,975 and $44,570, a percentage increase of 396.6; their quotas of wage-earners were 4,712,763 and 9,098,119, a gain of 90.9 per cent; their wage bills (in millions) were $2,008 and $10,646, an increase of 425.2 per cent; their gross product values (in millions) were $11,407 and $62,428, a percentage gain of 447.3.

11. CHANGES IN FARM TENURE, SIZE, AND ORGANIZATION

a) TABLE XX*

FARMS BY TENURE IN THE UNITED STATES: PERCENTAGE CLASSIFICATION, 1880–1920, BY DECADES

	1920	1910	1900	1890	1880
Owners	60.9	62.1	63.7	71.6	74.5
Managers	1.1	0.9	1.0	.....	.....
Tenants	38.1	37.0	35.3	28.4	25.5

* Taken from the *Fourteenth Census of the U.S.*, 1920, Vol. VI, Part I, p. 19, and from the *Twelfth Census of the U.S.*, 1900, Vol. V, Part I.
The 1880 and 1890 census figures fail to classify separately owners and managers.

b) TABLE XXI*

PERCENTAGE OF THE NUMBER OF FARMS IN EACH OF THE SIX SPECIFIED AREAS IN ACRES, 1880–1920

	1920	1910	1900	1890	1880
Under 20	12.4	13.2	11.8	9.1	9.8
20 to 49	23.3	22.2	21.9	19.8	19.5
50 to 99	22.9	22.6	23.8	24.6	25.8
100 to 499	38.1	39.2	39.9	44.0	42.3
500 to 999	2.3	2.0	1.8	1.8	1.9
1,000 and over	1.0	0.8	0.8	0.7	0.7

* Constructed from the *U.S. Census Report*, 1880–1920.

c) TABLE XXII*

IMPROVED AND UNIMPROVED FARM LAND IN THE UNITED STATES: PERCENTAGE OF ACRES, CENSUS YEARS, 1850 TO 1920

Census Year	Improved	Unimproved
1920	52.6	47.4
1910	54.4	45.6
1900	49.4	50.6
1890	57.4	42.6
1880	53.1	46.9
1870	46.3	53.7
1860	40.1	59.9
1850	38.5	61.5

* Taken from the *U.S. Census Report*, 1920, Vol. VI.

d) TABLE XXIII*

FARMS IN THE UNITED STATES: NUMBER AND SIZE IN ACRES, CLASSIFICATION BY DECADES, 1850–1920, AND PERCENTAGE OF INCREASE OR DECREASE

Year	Number of Farms	Percentage of Increase	Acres in Farms	Percentage of Increase	Average Number of Acres per Farm	Percentage of Increase (+) of Decrease (−)
1920	6,448,343	1	955,883,715	8.0	148.2	+ 7
1910	6,361,502	11	878,798,325	4.0	138.1	− 5
1900	5,737,372	25	838,591,774	34.0	146.2	+ 7
1890	4,564,641	13	623,218,619	14.0	136.5	+ 2
1880	4,008,907	50	536,081,835	31.0	133.7	−12
1870	2,659,985	30	407,735,041	0.1	153.3	−23
1860	2,049,077	41	407,212,538	38.0	199.2	− 1
1850	1,449,073	.....	293,560,614	.....	202.6	.....

* Taken from the *Fourteenth Census of the U.S.*, Vol. VI, Part I, and *Twelfth Census of the U.S.*, Vol. V, Part I.

e) TABLE XXIV*

FARMS IN THE UNITED STATES: AVERAGE VALUE IN DOLLARS PER ACRE WITH IMPROVEMENTS, AND PERCENTAGE OF INCREASE OR DECREASE. (CENSUS YEARS, 1850–1920.)

Year	Value per Acre with Improvements	Percentage of Increase (+) or Decrease (−)
1920	81.52	+ 74
1910	46.64	+135
1900	19.82	− 7
1890	21.31	+ 12
1880	19.02	+ 4
1870	18.26	+ 11
1860	16.32	+ 46
1850	11.14	.....

* Taken from the *Fourteenth Census of the U.S.* (1920), Vol. VI, Part I, and *Twelfth Census of the U.S.* (1900), Vol. V, Part I.

12. RACIAL ELEMENTS IN THE AMERICAN POPULATION, WITH ESPECIAL ATTENTION TO WAGE-EARNERS

a) THE NEGRO POPULATION[1]

In 1920 the Negro population of the United States numbered 10,463,131. This represented a 10-year increase of 635,000, or 6.5 per cent, the lowest thus far recorded. In consequence of this slow numerical progress the proportion formed by Negroes in the total population declined from 10.7 per cent in 1910 to 9.9 per cent in 1920. The highest proportion, 19.3 per cent, was recorded in 1790.

[1] Adapted from William S. Rossiter, *Census Monograph I*, "Increase of Population in the United States, 1910–1920." (Government Printing Office, 1922.)

Table XXV throws some light on the distribution of the Negro population at different periods of American history:

TABLE XXV

NEGRO POPULATION

Census Year	Percentage in Southern States	Percentage Native Remaining in State of Birth	Percentage Urban	Percentage Rural
1890	90.3	*85.2	19.8	80.2
1900	89.7	84.4	22.7	77.3
1910	89.0	83.4	27.4	72.6
1920	85.2	80.1	34.0	66.0

* Relates to total colored population, including Indian, Chinese, and Japanese.

b) THE TREND OF IMMIGRATION

TABLE XXVI*

IMMIGRATION TO THE UNITED STATES, 1820 TO 1920, BY DECADES

Period	Immigrants	Percentage of Distribution	Average per Year
1820–30	151,824	0.4	13,802
1831–40	599,125	1.7	59,913
1841–50	1,713,251	5.1	171,325
1851–60	2,598,214	7.7	259,821
1861–70	2,314,824	6.8	231,482
1871–80	2,812,191	8.3	281,219
1881–90	5,246,613	15.5	524,661
1891–1900	3,687,564	10.9	368,756
1901–10	8,795,386	26.1	879,539
1911–20	5,735,811	17.0	573,581
Total	33,654,803	100.0	333,215

* Compiled from figures in the *Statistical Abstract of the United States* (U.S. Department of Commerce), 1921, p. 103.

TABLE XXVII*

EUROPEAN IMMIGRATION TO THE UNITED STATES, FISCAL YEARS 1882 AND 1907, BY CLASS

Class	Year		Percentage Distribution	
	1882	1907	1882	1907
Old immigration	563,175	227,851	86.9	19.0
New immigration	84,973	971,608	13.1	81.0
Not specified	38	107	x	x
Total	648,186	1,199,566	100.0	100.0

* From *Immigration Commission Report*, I, 156.

c) AN ANALYSIS OF THE OLD AND NEW IMMIGRATION[1]

[NOTE: The terms new and old immigration are used to signify the immigrants from Southeastern and Northwestern Europe, respectively. The latter was predominant prior to 1885; the former became increasingly important after that date. The relative change in importance is shown by Table XXVII.—ED.]

1. *Countries of origin and character of the early and late immigration.*—A study of the immigration into the United States, from the time that our immigration records began in 1819 to date, shows, as already pointed out, a change in the character of the immigration as well as in its extent. During the last twenty-five to thirty years so marked has been the change in the type of immigrants that it is convenient to classify our immigration as the old, that is, the immigrants of those races and countries which furnished the bulk of immigration prior to 1883, and the new, namely, the races coming since that date. The former class includes primarily immigrants from England, Ireland, Scotland, Wales, Belgium, Denmark, France, Germany, The Netherlands, Norway, Sweden, and Switzerland. These countries furnished some 95 per cent of the total number of immigrants coming into this country before 1883. In 1907, 81 per cent of the total number of European immigrants, including Syrians, came from Austria-Hungary, Bulgaria, Greece, Italy, Montenegro, Poland, Portugal, Rumania, Russia, Servia, Spain, Syria, and Turkey.

The change in the character of the immigration is especially marked by the fact that during the last few years more immigrants have come from any one of the three countries of Austria-Hungary, Italy, or Russia than from all of the North European countries taken together that formerly furnished the bulk of European immigrants.

The rapidly rising post-war tide of immigration shows no change in this tendency. Southern and Eastern European peoples predominate. The enactment of the recent legislation which limits the number entering the United States to a percentage basis of those already here was passed in order to modify this tendency. The figures for 1914 are very striking. In that year only 10 per cent of the entire immigration came from Northern and Western Europe.

2. *City versus country dwellers.*—The immigrants of the earlier day came to this country primarily with the purpose of becoming permanent dwellers; and a very large proportion of them, agriculturists abroad, went to our rural districts, took up land and became farmers here. Circumstances have so changed that the newer immigrants follow to a very great extent a different course. With the exception of the Hebrews, primarily from Russia, who are by compulsion in that country largely city dwellers, the present-day immigrants likewise come from country districts. Coming to this country, however, they find that our supply of free agricultural land is practically taken up. In consequence, these rural peasants have flocked into our industrial centers and have entered upon occupations for which they have had no previous training. The 1920 census shows that this movement toward the mining and manufacturing centers is still as great as ever.

[1] Adapted with permission from Jeremiah W. Jenks and W. Jett Lauck, *The Immigration Problem*, pp. 25–38, 339. (Funk & Wagnalls Co., 1922.)

3. *Sex and family life.*—Perhaps the most fundamental of the institutions of modern times is that of the family. With, of course, notable individual exceptions, the men and women who promote best the highest civilization are gathered into families, and have the benefit of a home life. The members of the old immigration, as a rule, came much more generally in families, with the evident purpose of making America their permanent home, than do the members of the new immigration. If we classify our European immigration (including Syrian), to the United States by class and sex, in the fiscal years 1899–1909, inclusive, we note that of the old immigration 41.5 per cent were females, while of the new immigration only 27 per cent are females. This indicates most clearly that the members of the new immigration are much less likely to remain and become thoroughly assimilated to American institutions than those coming from countries of the old immigration.

TABLE XXVIII*

EUROPEAN IMMIGRATION (INCLUDING SYRIAN) TO THE UNITED STATES BY CLASS AND SEX, IN FISCAL YEARS 1899–1909, INCLUSIVE

Class	Number			Percentage		
	Male	Female	Total	Male	Female	Total
Old immigration....	1,329,923	943,859	2,273,782	58.5	41.5	100.0
New immigration...	4,338,005	1,601,247	5,939,252	73.0	27.0	100.0
Total.....	5,667,928	2,545,106	8,213,034	69.0	31.0	100.0

* Compiled by the United States Immigration Commission from reports of the Commissioner-General of Immigration.

4. *Occupations of immigrants.*—Immigrants are far more readily assimilated and are also likely to be better satisfied if they can engage in occupations that are congenial to themselves as well as profitable. Unfortunately, the old and the new immigration differ decidedly in respect to the occupations followed by the immigrants in this country, as compared with their occupation in the country of their birth.

The best practical classification of the different occupations under general heads is shown in the table below:

TABLE XXIX*

OCCUPATION OF EUROPEAN IMMIGRANTS (INCLUDING SYRIANS) TO THE UNITED STATES BY OCCUPATION AND CLASS, 1899–1909

Occupation	Number of Persons		Percentage	
	Old Immigration	New Immigration (Hebrews Excepted)	Old Immigration	New Immigration (Hebrews Excepted)
Professional	56,406	17,080	2.5	0.3
Skilled laborers	442,754	441,984	19.5	8.9
Farm laborers	138,598	1,142,064	6.1	23.1
Farmers	40,633	42,605	1.8	.9
Common laborers	402,074	1,814,180	17.7	36.7
Servants	424,698	403,784	18.7	8.2
No occupation	678,510	1,041,049	29.8	21.0
Miscellaneous	90,109	46,324	4.0	.9
Total	2,273,782	4,949,070	100.0	100.0

* Compiled by the United States Immigration Commission from reports of the Commissioner General of Immigration.

It is just, probably, to consider farm laborers and common laborers as unskilled. Doubtless, also those marked as having no occupation should, generally speaking, be classed in the same group. Leaving out the Hebrews, as practically none of them are farm laborers, we find that about 60 per cent of the new immigration consists of farm laborers and common laborers. These classes furnish less than 25 per cent of the old immigration. Even with the Hebrews included we find the percentage of unskilled, or common, and farm laborers much larger among the new immigrants. The percentage of farmers as distinguished from farm laborers is larger among races found in the old immigration, though owing to the greatly increased total immigration the absolute number is somewhat larger among the new.

A careful study of the figures, however, shows from this fact alone that the new immigration is much more difficult to assimilate than the old, because of these characteristics of occupation. A percentage of the total immigration, therefore, that might readily have been assimilated, provided the immigrants were of the older type, might prove much more difficult of assimilation with immigrants of the new type.

5. *Illiteracy.*—The question of illiteracy, as a result of the examinations held by the army authorities, has been brought forcibly to the attention of the American people. These examinations showed that approximately 25 per cent of the draft army were unable to use effectively the English language, and that much must be done with both the foreign-born and the first generation born in the United States if assimilation, political and social, is to be attained. The United States, according to the 1920 census, is one of the most illiterate of civilized nations. Although final figures are not ready, it is evident that the army of illiterates will not fall far short of 6,000,000 or 7,000,000. Two million of these illiterates are in nine of the southern states. The states with a large foreign-born population have a still greater problem. New Jersey has 127,661 illiterates, of whom 111,595 are foreign-born.

TABLE XXX

NUMBER AND PERCENTAGE OF ILLITERATES FOURTEEN YEARS OF AGE OR OVER, IN EACH CLASS OF EUROPEAN IMMIGRATION (INCLUDING SYRIAN) IN FISCAL YEARS 1889 TO 1909, INCLUSIVE

Class	Total Number 14 Years or over	Persons 14 Years or over Who Could Neither Read nor Write	
		Number	Percentage
Old immigration	1,983,617	52,833	2.7
New immigration	5,215,444	1,865,992	35.8
Total	7,199,061	1,918,825	26.7

6. *Inclination to return to Europe.*—Our earlier immigration records did not take account of the aliens leaving United States ports, but beginning with 1907 such a record has been kept and the figures for the year 1908 are available. Inasmuch as in the fall of 1907 there was an industrial crisis followed by a period of depression, the return movement during the year 1908 was doubtless greatly stimulated, while on the other hand the immigration during the earlier part of 1907 was also very large. The European emigration, including the Syrians, into the United States in the year 1907 showed 22.7 per cent

of the old immigration and 77.3 per cent of the new, whereas the difference between the immigrants of these two classes leaving the United States in the year 1908 was still more striking, those of the old immigration numbering only 8.9 per cent, while the new formed 91.1 per cent. These facts would seem to show that the races of peoples composing the older immigration are much more largely permanent residents, whereas the very large proportion of the newer immigrants are merely transient dwellers who come here for a few years to acquire a competence and then return to their home country.

That 63.9 per cent of the foreign-born are citizens or on the way to become citizens is one of the most important announcements of the 1920 census. Out of a total of 6,928,027 foreign-born white males, twenty-one years of age and over, 3,314,577, or 47.8 per cent, are reported as being fully naturalized, while 1,116,698, or 16.1 per cent, have taken out their first papers. This marks quite an improvement over the figures of the 1910 census, when only 45.6 per cent were naturalized and 8.6 per cent had taken out their first papers. The great advance is to be found here, only 570,772 having first papers in 1910, compared with 1,116,698 in 1920. The reasons for this advance may be found in the World War with its emphasis upon citizenship and extension of opportunities along educational lines by the federal government and many state departments of education.

[NOTE: It should be noticed that Jenks and Lauck classify the new and the old immigration for the same period of time—namely, 1899 to 1909. Had they been compared for the period in which each was in turn dominant, i.e., the period 1873–1884 for the old immigration and the period 1899 to 1909 for the new immigration, it would be found that the new immigration was no more unskilled upon its arrival in the country than the old was in its day. What has occurred is that the new immigration from Southeastern Europe has supplied the unskilled labor and has served to prevent a great deal of unskilled labor coming from Northwestern Europe, thus making the immigrants from Northwestern Europe a more skilled class than formerly.—ED]

PROBLEMS

1. What has been the influence of the frontier on American "human nature"? Has this question any significance for an understanding of modern problems of industrial organization?
2. Has "nature" or "nurture" been more influential in the molding of American character? Is either changing today? are both? Explain how.

3. What were the economic assumptions of the founders of the American republic? Where did they get them? Can you see any reasons why these assumptions should have accorded well with (*a*) the physical environment and the national task which the pioneers faced; (*b*) with the character of the people themselves?
4. Can you find any concrete expression of these assumptions in the fundamental law of the land? Where and how? Has this any bearing on present-day industrial relations?
5. Is there any significance in the fact that Adam Smith's *Wealth of Nations* and the American Declaration of Independence appeared in the same year?
6. "American institutions were framed for an agricultural and pioneering country. They are beginning to feel the pressure of the transition to industrialism." Do you agree? Justify your answer.
7. "America has always been and must always remain profoundly individualistic." What is individualism? Does corporate organization destroy individualism? Does large scale industry? Do large cities? Do trusts? Do trade unions? Do political parties? Is individualism a matter of environment, social organization, mental attitude, or something else?
8. Can you see any significance in the fact that the following phenomena all occurred in about the same period (1880–90): the closing of the frontier; the end of the railway speculative boom; the founding of the American Federation of Labor; the appearance of "scientific management"; the appearance of the "trust"?
9. "The railway meant for the Western World the end of famine on a large scale." Necessarily? Why or why not?
10. Is the growth of American cities due chiefly to industrial or to commercial causes? Could you classify the larger cities as due predominantly to one or the other?
11. Compare the American to the medieval town with respect to the following factors: cause of origin; social life; class grouping; unity of thought, ideas and outlook; stability of population; religious life; education. Explain the differences. Do they throw any light on modern "industrial relations"?
12. "The medieval population was stable: the modern population is continually in process of migration." Is this true? What are the reasons? Do they throw any light on "industrial relations"?
13. What were the early obstacles to capitalist industry in America? How and when were they overcome?
14. "The discovery of gold in California was one of the chief reasons for the rapid development of capitalist organization in America." Is this true? Why or why not?

15. "The railway at one and the same time made us a nation; created an interdependent economic structure; and made possible and necessary the complex group associations to be found in modern America." What does this statement include?
16. What has been the influence of the "market" (using the word in its widest sense) on the position of the American worker and the part he plays in industry today?
17. Is it true in America—assuming it is true in England—that "there is no more laissez faire"? Why or why not?
18. "The economic transformation of America which has taken place within the past fifty years has been much more rapid than the so-called 'Industrial Revolution' in England." Do the facts given in this chapter bear out the statement? If you think they do, how do you account for the greater speed? How has economic change in America compared with that in modern Japan?
19. "War serves as a great stimulus to industrial combination." Compare the influence of the Civil War on the shoe industry with the apparent effects of the World-War on industrial organization.
20. On the basis of the material presented here, what do you regard as the most important factors making for large-scale production in the shoe industry?
21. Select what you regard as the six most important basic economic changes which have taken place in this country in the past fifty years, and show why they are significant in understanding the present status of the wage-earner.
22. If you were asked to describe American "capitalism" of today as compared with that of 1850, what significant differences would appear?
23. From Tables VI and VII trace the relative importance since 1870 of agriculture; domestic service; professional work; clerical occupations; wage work. What generalizations would you make from these figures as to (*a*) the way the country now makes its living, (*b*) the relative economic independence of the people? Do they throw any light on (*a*) the policies of political parties, (*b*) the organization of labor, (*c*) changing social ideas?
24. To what extent and how can the changes in occupational groupings shown in Tables VI, VII, VIII, and IX be interpreted by means of the remaining tables in the chapter?
25. "The story of modern America is the story of three things: the machine, the corporation and the city." Do the tables in this chapter bear out this statement?
26. How can it be said that the corporation is the dominant type of business organization when the individual enterprise is the type of more than half the manufacturing establishments?

27. What do Tables XV, XVI, and XVII show as to the relative importance of small-scale as against large-scale industry? Why is large-scale industry so important if more than half the establishments employ less than five wage-earners?
28. What light, if any, do the tables on agriculture throw on modern problems of life and work on the farm?
29. Do these tables or the others indicate the importance of the end of "free land"?
30. "'Labor' includes the vast majority of the people." On the basis of the tables in this chapter, do you agree? Which of the groups in Tables VI and VII would you class as "labor"? which as "capital"? What is the basis of your classification?
31. It is sometimes said there are three parties: labor, capital, and the public. In Table VI, which groups make up the public?
32. It is sometimes said that American industry rests on two helot classes: the Negro and the Southeastern European. Do these two groups furnish a sufficient number of unskilled laborers to supply the needs of the country?
33. Does America now have a permanent laboring class?
34. What is meant by "the new immigration" and "the old immigration"? Trace carefully the history of the two. Can you explain the changed character of present-day immigration?

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PART THREE

THE WORKER IN HIS RELATION TO THE MARKET

INTRODUCTION

Used in its widest sense, the title of the present part might quite well be taken as the title of this volume of readings as a whole. Modern society is a market society, and the rapid development of national and world-markets (in America a story of the last five or six decades) was one of the main themes of the last part. The market is the institution through which modern specialized workers and the specialized establishments in which they work are organized into a producing mechanism. On it depends the wage-earner's livelihood (along with that of everyone else), and in large measure the character of the contribution he makes and his whole status in the modern scheme. To this essential fact are chiefly to be traced the characteristic methods and devices through which he tries to make his influence felt.

For purposes of analysis, however, it will be convenient to confine the material of the present part to a somewhat narrower range of inquiry than that just suggested, leaving to later parts some of the wider implications of the market relationship. Our immediate interest is in wages, but a moment's reflection will show that even this restriction of our topic leaves open a very wide field which can be treated from an almost infinite number of angles. Wages can be regarded as an incentive to productive effort, as one of the main divisions of the distribution of national income, as a kind of "nexus" for binding society together. They can be treated to an economic, a psychological, an ethical, a political, or a historical analysis, or to a combination of all these.

Something, indeed, of them all will be found in the material which follows, since we are interested here not so much in a detailed description of the processes of the wage market as in getting a somewhat general view of the forces which determine the modern worker's livelihood and some basis for gauging the nature of the position he now occupies.

The part has been organized as follows:

The seventh chapter is concerned with a general picture of the worker's present market situation in the light of its origins, together with some of the factors which determine the market value of labor, and a few of the more important general forces which underlie the market.

The eighth chapter brings into the discussion some possible theoretical bases for judging the worker's remuneration.

The ninth chapter undertakes a statistical analysis of present-day American standards of living, wages and earnings, and distribution of wealth and income.

The tenth chapter deals with women's work and wages and the eleventh with hours of work.

The twelfth chapter presents a concrete case of wage adjustment involving most of the issues presented in the earlier parts.

It should be noticed that while the chapter in the main is concerned with wage rates, it is in reality quite impossible to isolate questions relating to wages from broader business problems. The worker's livelihood, for example, depends not only on the rate he receives per hour or per piece, but quite as much on the regularity of his employment, a problem reaching out into a wide range of managerial issues, among which not the least are those pertaining to the fluctuations of the business cycle. This interdependence is quite clearly shown in such selections as 6 and 9 in chapter vii, 8 and 10 in chapter viii, and in chapter xii.

The question of unemployment, fundamentally a market problem, along with other questions primarily relating to "security," is developed more fully in Part Four following. The two parts are highly interdependent, and may be regarded as simply different aspects of the same general story. In like manner the trade union, in its more purely economic aspects, is simply an outgrowth of a market relationship, but for convenience its fuller treatment as a modern institution is reserved for specific development in Part Five.

The discussion of the present division presupposes on the part of the student a familiarity with the discussion of wages to be found in any good modern textbook in general economic theory. The instructor may well require him to review such a discussion in connection with the present material.[1]

[1] The following are suggested: Clay, *Economics for the General Reader;* Taussig, *Principles of Economics;* Alfred Marshall, *Principles of Economics.* See also the list of references for further reading at the end of chapter viii.

CHAPTER VII

MARKET FACTORS AND FORCES

A. Introduction

1. A GLIMPSE OF THE ORIGINS OF THE WAGE SYSTEM

PREPARED BY C. N. HITCHCOCK

It is common usage today to speak of a worker as being "worth" fifty cents, a dollar, or two dollars per hour—i.e., his services are valued or measured in the market by that number of financial units. The very commonplaceness of the expression serves to show the completeness with which the measurement of values in financial units has pervaded society. Yet at the most the financial measurement of the value of human effort—the conception of labor as a market commodity—has been a development of the last three hundred years, and its real fruits are a product of the last one hundred and fifty. True, money wages existed long before that time: they have probably been used wherever a money economy has emerged. There is, however, an important distinction to be made between most of these earlier wage systems and that of today: a distinction which should become clearer in succeeding paragraphs. In most of them the "value" represented or measured by money payments was different from market value. Today wage is a market measurement.

The barest outline of the change which has taken place will have to suffice here. Any complete chronicle of the transition is impossible. It would be as easy to trace exactly the development of the capitalistic spirit and the speculative market. It is with these that the pecuniary measurement of labor has its closest family ties, and like them its origins must be sought in that period of commercial and industrial awakening which broke up the feudal system in the fourteenth to the seventeenth centuries. A comparative examination of the character of labor's reward in two or three successive periods should, however, make the differences fairly evident.

Wage in mediaeval society.—It has already been suggested that mediaeval life was organized on fairly definite caste lines. In early feudal (manorial) economy, the agricultural worker's "wage" was the amount of truck he could raise on the plot of land which inheritance

and custom decreed he should hold from the lord, subject to such deductions as custom might decree in the shape of payments to the lord. It was a payment in terms of his customary standard of life—in most cases a miserable bare subsistence.

With the beginnings of money economy on the manor, and the development of town life and craft industry, subsistence and standards of living—along with personal freedom—underwent certain changes for the better. The governing *standard* of payment, however, remained much the same. It was still a payment in accordance with the worker's needs—the needs of the caste and position in life to which God had called him. Under the dominant theory of the time there could be no questioning of this basis of measurement. It was underwritten by the sanction of the Church as expressed by the Church philosophers, and the force of the State upheld the Church. In fact, of course, groups of workers under favoring circumstances were able to force advances in the amount of their wages—this is sufficiently attested by statutes designed to deal with rising wages at least as early as the fourteenth century. None the less, the essential fact remains that labor value until fairly well toward the end of the mediaeval period was measured by the needs of a customary standard of living, regardless of whether it was expressed in pecuniary terms. As Professor Ashley points out in his discussion of the transition to money payment of wages,[1] a currency can be used as a common measure of value long before it is actually employed in every day transactions as a medium of exchange—and it measured here the amount of food, clothing and shelter which the worker was accustomed to receive.

The end of the "just price."—The definite break in this state of affairs came with the rise of the trading classes in the fifteenth, sixteenth and seventeenth centuries and the beginning of capitalist production. It was inevitable that when one social group—the merchants and capitalists of the time—had broken the Church's grip on their operations, the spell would gradually fall from the rest of society. Instead of producing and selling a made-to-order product for a fairly well defined "just" (i.e., cost of production in terms of customary livelihood) price, the enterpriser produced and sold for *what he could get* in the speculative market. Gradually this condition became the rule and not the exception despite the resistance of all the forces of custom and theology. Then, as a class of men developed which had

[1] Ashley, *Introduction to Economic History and Theory*, Part I, Book I, pp. 47–48.

no basis of support except the sale of its labor power, it was quite natural for the society of the time to begin to expect that sale to be made on the same terms as other sales—namely, for what it would command in the market. The change was assisted by the extension of the legal device of the contract to cover services as well as goods.

Eventually this transition did in effect take place, and with certain important qualifications "labor" is today bought and sold in the international market very much like commodities. A fuller explanation of the qualifications mentioned, and of the character of modern wage determination, must be sought in later sections of this part. For the purpose of this brief sketch of the transition, it will be sufficient here to point out that as compared with the change in the character of commodity price, the change in wage followed a more roundabout route, it met with greater resistance and it has never been realized as completely.

At least two separate, though related, sets of causes throw some light on the difference in the rate of change in the two cases. The first has to do with the worker himself, the second with the social and economic ideas prevalent in the successive stages of development.

The worker's attitude toward the market.—The workers themselves, as a class, were never enthusiastic about the change, despite the possibility of financial gain which it opened up. This is probably less true today than it has been in the past, and less true in America than anywhere else, but there is no question about its almost universal truth in England up until very recent times. As a class they were not speculatively minded, and security at a low level of living seemed more attractive to them than uncertainty with a possibility of advance. As will be suggested in a moment, this latter possibility was a relatively remote one in any case.

Speculation in labor power was, in fact, attended with special risks. For it is one of the peculiarities of the sale of labor that the seller's stock-in-trade is especially identified with himself. If the shoe market was off, the shoe merchant lost his profit. If the labor market was off, the worker might—and sometimes did—starve. This distinction was only emphasized by the worker's usual lack of a reserve fund, an essential asset of successful speculation.

Consequently it is little wonder that he tried quite tenaciously to cling to his customary standard of living, and that he is still trying to emphasize or reintroduce the ideas of need, cost of living, or standard of living as factors in wage determination. As far as the Middle

Ages are concerned, however, his support in supernatural sanction was destroyed, the forces of the time were too strong for him, and he was slowly swept into the market along with everything else.

The initial effects of the new economic philosophy.—The general spread of the "buy cheap and sell dear" point of view was a fairly immediate corollary of the development of the new market practice. Consequently, in the situation already outlined, its application to the purchase of labor might readily have been anticipated. As the power of the manufacturing and trading classes grew, their ideas and outlook pervaded society more and more fully, and the mediaeval conception of a standard of living wage, along with other elements of the feudal system,[1] yielded to their insistence. It was conceived to be to the interest of the business man to pay as little as possible for labor as for other purchases: wage determination became wholly a matter of bargaining.

To see what had happened it is necessary only to turn to the England of Adam Smith's day and follow through the various wage "theories" which have developed since. They vary much in point of approach, but at bottom they agree that somehow or other "supply and demand" (i.e., the market) determine wages. This applies as well to the now generally current "productivity" theory of wages, which suggests that wage is governed by the worker's productivity, but sometimes fails to make clear that the "worth" of productivity is the value that the market sets.

The underlying machine-inspired philosophy of the early nineteenth century greatly quickened the pace of the shift to the measurement of labor as a "factor in production." It was not until well along in that century, however, that the new philosophy came fully into its own as regards wages. To the modern mind, influenced by modern facts, the general acceptance of a market determination of wage would suggest the idea that wages, like prices, could go up as well as down. To the eighteenth and early nineteenth century mind this did not at all necessarily follow. For the divine order of mediaeval philosophy was succeeded by a conception of a "natural" order only less absolute in its decrees as to the economic status of man. Under this conception—inspired partly by deductive reasoning, partly by the

[1] These changes were aided by the fluctuations in prices which the development of the market brought with it. With commodity prices no longer stable, it became very difficult to tell what "real" wages were. Living costs were no longer easily measurable.

social facts of the time, partly by the supposed interests of the dominant class—wages were indeed determined by bargaining and there was nothing morally wrong in their rising, but the natural laws which governed their determination were an insuperable barrier to their ever actually doing so. To the force of this conception were added in turn the pessimistic interpretation of Malthus' theory of population and the weight of the "wages fund" theory.[1]

During the rapid changes attending the early days of the Industrial Revolution, therefore, the worker was divorced from the protection of his divinely sanctioned caste position, and was given instead the cold comfort of knowing that while he *might* increase his wages by successful bargaining, in fact it was impossible. To add to his difficulties, he was barred by the authority of the state from organizing with his fellows to test the truth of these economic doctrines.

Two influences combined to end this state of affairs. One was the development of scientific thought, particularly the spread of the Darwinian theory of evolution, which helped to break up the idea of a "naturally" static world. The other was the fact that the huge increase in material wealth brought by the Industrial Revolution did extend in some measure to the working classes, with a resulting increase[2] in real wages, the worker himself taking a substantial part in effecting this result.

Quo Vadis?—It is conceded, then, that the measurement of labor has become a market process, and this has meant, among other things,

[1] For a fuller account of these theories, see pp. 239–47.

[2] Professor Bowley shows the rise of wages in England in the nineteenth century by an index number, as follows (*Dictionary of Political Economy*, Palgrave ed., 1908. Appendix, p. 801):

	Index Number of Nominal Wages	Real Wages
1850–1854	55	50
1855–1859	60	50
1860–1864	62	50
1865–1869	67	55
1870–1874	78	60
1875–1879	80	65
1880–1884	77	65
1885–1889	79	75
1890–1894	87	85
1895–1899	92	95
1900–1904	100	100

He says: "The result is not to be regarded as final in any sense but rather as showing the direction of the effect of the change of prices, i.e., the nature of the numerical relation between nominal and real wages."

that wages can go up as well as down, and that the worker is able to take an increasingly important part in determining what they are to be. It has, however, greatly complicated the problem in the modern community of determining their level. In the first place, price fluctuations make it difficult to determine what real wages are at one period as compared with another, or in one community or industry as compared with another.

More fundamental than that, however, it is not surprising to find great confusion of counsel among modern manufacturers, modern workers and modern students as to (*a*) what the "pecuniary measurement of labor" does really measure and (*b*) what it ought to measure. It is a confusion which could only come in a society which was (relatively) abandoning traditional authority and seeking more or less consciously for an organization of its economic affairs in the light of definite purposes. The confusion lies, however, partly in a conflict of purposes, partly in incomplete knowledge of the forces which must be organized to carry them out.

2. THE PARTIAL MAINTENANCE OF "STATUS"[1]

The present economic system in England[2]—so far as it is a "system"—is based upon the principle of "free enterprise." The State leaves economic relations to be settled by free private contracts. Anyone may engage in any business (with few exceptions), and may sell in any market at any price. Prices are left to be settled by free bargaining between buyers and sellers. Competition is relied upon to prevent either party to the bargain from exploiting the other. The price of labour, by the sale of which the wage-earner lives, is left to be settled in the same way, by free bargaining between buyers and sellers; competition among employers is expected to secure for the wage-earner what he is worth, competition among workers to insure that no one gets more than he is worth. Only recently, and that in cases the conditions of which are specifically exceptional, has the State interfered to fix the wages of any kind of labour. The effect of this free bargaining is, according to the current rather optimistic theory of wages, that wages tend to equal the net product of labour, the

[1] Adapted with permission from Henry Clay, "The War and the Wage Earner," in *The Industrial Outlook*, by various writers, edited by Henry Sanderson Furniss, M.A., pp. 61–75, 92. (Chatto & Windus, London, 1917.)

[2] Allowing for possible minor changes in emphasis, the analysis of this article applies equally well to America.

supply of labour being what it is, or as it is usually put, wages tend to equal the *marginal* net product of labour.

The social organization that leaves the workers "free" to determine their economic relations by private contract has never evoked much enthusiasm amongst them. Their instinct has always been to cling to any institution or arrangement that seemed to secure their status.

It is with wages alone, however, that we are concerned here, and in this connection the reaction of the workers against the system of free contract has had two chief objects: (1) to prevent the exploitation of their weakness in bargaining; and (2) to prevent the constant fluctuations which the constant variation in the demand for goods and services tends to produce in the value of the labour engaged in supplying the goods and services.

They have been so far successful in attaining these objects that the position of the average wage-earner, unorganized as well as organized, has a stability that one would not have expected *a priori* in a society which left wages to be settled entirely by private contract; the value of labour fluctuates less than the values of most commodities.

This element of stability can be illustrated by a comparison between wages (the price of labour) and the prices of the produce or stocks and shares sold on the Exchanges, which economists take as the typical markets of the present economic system. In the latter, values are constantly being adjusted to changes in supplies and demand; every influence affecting either supplies or demand, unless cancelled by some countervailing influence, is reflected at once in the price-list. In the labour market, on the other hand, values are relatively rigid, and supply and demand are adjusted to them. It requires a great and long-continued falling-off in the demand for the products of their industry to induce the workers in an organized trade to consent to a reduction in the value of their labour—i.e., in the standard rate; if the alternative to a temporary reduction in the rate is a reduction in output and less work, they explicitly prefer that alternative. On the other hand, they are slow to demand an increase in the standard rate when the demand for the product of their industry is rising fast. While values tend, in the case of produce, to move so that the entire supply will always be taken up, in the labour market the seller gets a comparative fixity of value at the cost of fluctuations in employment, and the sacrifice of a share of the gains to be obtained from rapid changes in price. Prices of goods (wholesale, at any rate) will usually be reduced when demand falls off, and raised when de-

mand increases; the worker will be affected usually only when the change is so great that men are turned off or overtime is necessary.

The Trade Union is an organization by which the wage-earner seeks to attain these two objects. It removes the weakness as a bargainer of the seller of labour by substituting combination for isolation and collective bargaining for individual bargaining; its funds form a reserve on which the members can draw when the reserve price of their labour is not forthcoming, and it gives them, in the Trade Union official, an agent for the sale of their labour who can supply the special knowledge of market conditions and experience in bargaining which they lack. The second object it attains by formulating and defending the standard rate. It requires the employer to insist on prices that enable him to pay the standard rate, and what one employer can pay it insists that all shall pay. If a falling-off in trade is prolonged, the union will consent to a reduction in the standard rate; but temporary fluctuations are met either by contracting and expanding profits or by short time (or unemployment) and overtime.

But not one wage-earner in five is in an effective Trade Union. The great majority of wage-earners have neither the reserve funds nor the organization which enable Trade Unionists to overcome the weaknesses of their position in bargaining and set a reserve price on their labour in the form of a standard rate. Unless, then, the mass of wage-earners had found some other way of setting a reserve price on their labour, we might expect that the great majority of wage-earners would have their bargaining weakness exploited, until their wages were meagre subsistence wages, and fluctuating and uncertain at that; an employer would be able to transmit any pressure to which he was subjected on to the worker, and to enjoy the profits of good trade without bearing a corresponding share of the losses of bad trade. The workers in some industries are in this condition. There are no limits on competition for employment among them, and they can resist no reduction forced on them by their employers, so long as they can still subsist—with or without the aid of charity and the Poor Law—on the earnings they can make.

The ultimate safeguard of the economic position of the wage-earners is the understanding that exists in every industry not "sweated" to stand out for a wage which will support a certain standard of life. If it were not for this understanding, the unscrupulous employer at any time, and the hard-pressed employer in bad

times, would cut at the standard rate; other employers would follow suit, and the workers, weak in their isolation and lack of reserve, would be forced lower and lower. It is the object of a system of free contract to stimulate competition, and unrestricted competition among wage-earners when there is no scarcity of labour can lead only to the condition of the "sweated" trades.

The maintenance by tacit or overt combination of their standard of life by any class of wage-earners is not inconsistent with their wages equalling the net product of their labour. In the first place, wages and the value of labour are distinct, and the productivity of labour does not depend altogether on the worker. If, then, the workers stick out for a certain wage, the employer may be able, either by altering his organization or by getting more labour out of each worker, or by both, to pay the wage insisted on without giving any more per unit of labour and without increasing the cost of production.

Employer and wage-earner are often at cross-purposes in bargaining about wages. What concerns the employer is the price of labour, which may be low when wages are high, and high when wages are low. What interests the worker is the amount of his income; he will try to get as good a price as possible for his labour, but if he can secure the income, which his conception of his status demands, by no other means, he can be made to give more labour in the same time—as in the frequent case of piece-workers earning the same income after a reduction in hours as before. But even if this adjustment of productivity to wages were not possible, wage-earners could still by combination maintain a comparative fixity in their wages, just as the sellers of any commodity can by combination keep the price of it steady. They would have to adjust the supply of labour to the demand, and either work short time, support unemployed members, or restrict entrance to the trade, when the demand for their labor fell off. Except, however, in the case of a decaying industry, which can be met by the diversion into other occupations of recruits who would otherwise have taken the place of superannuated workers, the workers in any industry can usually maintain their standard rate, in spite of a temporary falling-off in the demand for their labour, in the safe assurance that the steady rise in demand *as a whole*, due to the steady growth of wealth as a whole, will presently bring prices up to a level that will enable employers to pay the standard rate while employing all the workers. It is this steady growth of wealth,

and therefore of demand, that enables the workers to insist on their standard of life being maintained.

Temporary fluctuations in an industry may make it temporarily difficult for the employer to charge on to prices the full amount of the wage needed to maintain the standard; but the losses of temporary fluctuations, like the gains due to temporary fluctuations, should be charged to profits, the social justification of which is that they are the payment for taking risks; and in the long-run the inevitable rise in demand will bring prices up to a level that will cover the needed wage. The tacit agreement to stick out for a wage that will support his standard of life serves the wage-earner the same purpose as a trench-line serves a modern army; it strengthens resistance against encroachment, and consolidates and makes secure any advance. It can be overwhelmed, but on the whole it has been the chief instrument in freeing the wage-earner from the loss of status to which unrestricted competition would lead, and in securing for him a share in the increase of wealth.

This brief survey of the reaction of the workers to the stimulus of free enterprise has been made in order to discover what the worker wants. What he wants, primarily, though not of course exclusively, is his standard of life with security. He wants an assured economic status, and not all the golden possibilities of treading in Mr. Carnegie's footsteps will compensate him for insecurity of status. Progress, a great historian has said, is a movement from status to contract. The worker is apparently of a different opinion; he prefers a compromise, and has sought by voluntary organizations and instinctive combination to maintain an element of status in his economic condition. And he has met with some success; wages are steadier than prices or profits; the great majority of workers are freed either by collective bargaining or by the establishment of customary rates from the worry of perpetual thought about their livelihood. But their status is never quite secure.

B. Bargaining Factors

3. THE MEANING OF "WAGES"[1]

Labor is paid for in many different ways, the two chief being by time wages and by piece wages. Presumably the employer endeavors to get the same amount of labor for his money whichever method he adopts. When the work is uniform and output can easily be measured,

[1] Adapted with permission from Henry Clay, *Economics for the General Reader*, pp. 279–83. (The Macmillan Co., 1919.)

he usually prefers to pay the workman a fixed price per piece. In the textile industries the settlement of the price to be paid between workman and employer is often a difficult matter; the calculation of wages from price-lists may be very complicated, the wage being the resultant of several variables. If a basis for piece rates, however, can be reached, the employer is relieved of the task of "driving" his workmen; since their wages depend on their output, they "drive" themselves. Some of the money saved in foreman's wages is usually spent in paying inspectors to examine the work and reject what is faulty.

In many occupations, however, the work is so varied that there can be no standard by which the output of the worker can be measured, in others the quality of the work suffers when the worker is paid by the piece; in such cases the employer will pay the worker by the amount of time he takes over the work, and pay foremen to see that the worker does not waste his time. There are many variations and combinations of these two simple methods of paying for labor. In some occupations, again, payment for labor is made partly in kind, and the value of such receipts in kind must be reckoned in calculating the true wage: the agricultural laborer has often a cottage or garden at less than its full rent, the domestic servant receives board and lodging in addition to her money wage. In other occupations, such as the mason's and the grinder's, some deduction for trade expenses has to be made from the weekly wage before the true money wage is reached.

The weekly wage, however calculated, is very far from giving the true economic position of the worker; not the wage-rate but the income actually received determines his position. Hence the regularity or irregularity of work is a most important consideration in comparing the advantages of different occupations.

The important thing is not what the trade pays the worker for an hour's work or a week's work, but what it pays him for his services as a whole; the worker and his family have to live for fifty-two weeks, even if the trade only uses his services for forty weeks. In the case of trades subject to considerable cyclical fluctuations, such as the shipbuilding trade, the average weekly wage has to be calculated over an even longer period. A worker may work overtime for eighteen months and then be on short time or without work for another eighteen months; his true money wage is his average weekly earnings over the whole period.

Perhaps we may go farther and average a man's earnings not over a week or a year or three years, but over a lifetime and that not over

the length of time he actually lives, but over the length of time a man ought to live if the conditions of his work are healthy. A trade employs a man, he adapts himself to its needs and thereby unfits himself for other work; he is dependent on the trade for a livelihood, and his true rate of wages is the amount of his earnings divided by the number of weeks he has to live on them. This is not commonly recognized: a wage is called a "good wage" if the rate of payment per week is high, though the employer may be exacting an amount of work from the worker so great that the man is "too old at forty." In the heavy steel trade of Pittsburg, that industrial paradise, wages are "high," but one man in three works twelve hours a day, seven days a week, and once a fortnight twenty-four hours on end; in the corresponding occupations in England the wages earned are not more than half as much, but the working life is longer, so that the total earnings are probably not much less.

The distinction between income and wage emerges in another connection. The worker's wage is what he earns himself: the income on which his family can draw usually includes the earnings of some other member of the family. Although boys and girls do not usually hand over the whole of their earnings to their parents, they contribute something to the upkeep of the home; and a man whose wife or children are earning might only make his economic position worse by moving to a district where he could command a higher wage himself, but his wife or children could find no employment, or less remunerative employment. In spite of the tendency of modern industry to deal with the individual rather than with the family, the family is still an economic unit as well as a social unit for many purposes.

So far we have been considering the money income of the worker; the real income of the worker, however, consists of the goods and services that the money income will purchase, and the purchasing power of money varies from place to place, and from time to time. Allowance must be made for differences in the cost of living, a difficult and hazardous calculation to make, before we can compare wages in one country or district with wages in another, or wages at one time with wages at another.

4. "LABOR" DISTINGUISHED FROM COMMODITIES[1]

Labor is not a commodity, but it is bought and sold like a commodity. Both the thing sold and the sellers of it, however, have characteristics which distinguish labor from commodities. The seller

[1] Adapted from *ibid.*, pp. 285–86.

of labor cannot control the quality of the supply. The laborer sells labor, he does not sell himself; the quality of the labor he has to sell depends largely on his social environment, and especially on his parents. If he has been starved as a child in body and mind, his work as a man will suffer: if no foresight was exercised in his choice of an occupation, and he was put to the trade which gave the biggest immediate wage and no prospects of anything better, he will have no special skill to sell. The expenditure of money and trouble on training is necessary in youth, if the labor of the man is to be valuable; the investment must be made by the parents, the return comes not to the parents but to the child. Hence many parents do not make the investment even when they could. For the same reason the supply of labor is adjusted to the demand only very slowly. The success with which it is done depends largely on the foresight of parents, and after all their pains some great technical invention may make their forecast wrong. Though he sells his labor and not himself the laborer must deliver it himself. "It matters nothing to the seller of bricks whether they are to be used in building a palace or a sewer; but it matters a great deal to the seller of labor" (Marshall). There may be a great demand for a certain kind of labor in one district, while in another district men with that kind of labor to sell are unemployed yet unable to leave the district because they own their own houses or have children working.

Again, labor, like time, will not keep: it must be sold at once or it is lost forever; it cannot be withheld from the market one day and saved till the demand is better. This characteristic of labor puts the seller of it in a weaker bargaining position than the buyer, and his position is usually the weaker without this aggravation.

5. FOR WHAT DOES THE EMPLOYER PAY?

a) WAGES VERSUS LABOR COST[1]

The object of the employer in preferring one system of payment to another, and generally in deciding what wage to pay his workers, is to reduce his labour costs per unit of output. This object is not necessarily attained by keeping down the rates of wages. Low wages may mean high cost, and high wages low cost. Where wages are so low as to be insufficient to maintain the health and strength of workers, an increase of wages may lead to such an improvement in the productivity of workers as to lower the cost of production. And apart

[1] Taken with permission from James Gunnison, *Economics*, pp. 107–8. (Methuen, London, 1920.)

from the mere question of physical efficiency, the psychological effects of a high wage are important from the point of view of output.

b) THE "ECONOMY OF HIGH WAGES"[1]

The dogma of the economy of cheap labour, taught in a slightly modified form by many of the leading English economists of the first half of the nineteenth century, has dominated the thought and indirectly influenced the practice of the business world.

The trend of more recent thought has been in the direction of a progressive modification of the doctrine of the "economy of low wages." The common maxim that "if you want a thing well done you must expect to pay for it" implies some general belief in a certain correspondence of work and wages. The clearer formulation of this idea has been in large measure the work of economic thinkers who have set themselves to the close study of comparative statistics.

The most carefully conducted investigation has been that of Professor Schulze-Gävernitz, who, basing his arguments upon a close study of the cotton industry, has related his conclusion most clearly to the evolution of modern machine-production. The earlier evidence merely established the fact of a co-existence between high wages and good work, low wages and bad work, without attempting scientifically to explain the connection. Dr. Schulze-Gävernitz, by his analysis of cotton spinning and weaving, successfully formulates the observed relations between wages and product. He compares not only the present condition of the cotton industry in England and in Germany and other continental countries, but the conditions of work and wages in the English cotton industry at various times during the last seventy years, thus correcting any personal equation of national life which might to some extent vitiate conclusions based only upon international comparison. This double method of comparison yields certain definite results, which Dr. Schulze-Gävernitz sums up in the following words: "Where the cost of labor (i.e. piece wages) is lowest the conditions of labour are most favourable, the working day is shortest, and the weekly wages of the operatives are highest." The evolution of improved spinning and weaving machinery in England is found to be attended by a continuous increase in the product for each worker, a fall in piece wages reflected in prices of goods, a shortening of the hours of labour, and a rise in weekly wages.

[1] Adapted with permission from J. A. Hobson, *The Evolution of Modern Capitalism*, pp. 352, 354, 358, 360–61, 365–68, 373. (Charles Scribner's Sons, 1912.)

A detailed comparison of England, the United States, and the Continent, as regards the present condition of the cotton industry, yields the same general results. A comparison between England and the United States shows that in weaving, where wages are much higher in America, the labour is so much more efficient as to make the cost of production considerably lower than in England; in spinning, where English wages are about as highly paid, the cost of production is lower than in America. A comparison between Switzerland and Germany, England, and America, as regards weaving yields the following results:

TABLE XXXII

Country	Weekly Product per Worker	Cost per Yard	Hours of Labour	Weekly Wage
				s. d.
Switzerland and Germany	466	0.303	12	11 8
England	706	0.275	9	16 3
America	1,200	0.2	10	20 3

The low-paid, long-houred labourers of the Italian factories are easily undersold by the higher paid and more effective labour of England and America.

The evidence we possess does not warrant any universal or even general application of the theory of the economy of high wages. If it was generally true that by increasing wages and by shortening working hours the daily product of each labourer could be increased or even maintained, the social problem, so far as it relates to the alleviation of the poverty and misery of the lower grades of workers, would admit of an easy solution. But though it will be generally admitted that a rise of wages or of the general standard of comfort of most classes of workers will be followed by increased efficiency of labour, and that a shortening of hours will not be followed by a corresponding diminution in output, it by no means follows that it will be profitable to increase wages and shorten hours indefinitely. It is not possible by dwelling upon the concomitance of high wages and good work, low wages and bad work, in many of the most highly developed industries to appeal to the enlightened self-interest of employers for the adoption of a general rise in wages and a general shortening of hours. Because the most profitable business may often be conducted on a system which involves high wages for short intense work with highly evolved machinery, it by no means follows that other businesses may not be more profitably

conducted by employing low-paid workers for long hours with simpler machinery. We are not at liberty to conclude that the early Lancashire mill-owners adopted a short-sighted policy in employing children and feeble adult labour at starvation wages.

The evidence, in particular, of Schulze-Gävernitz certainly shows that the economy of high wages and short hours is closely linked with the development of machinery, and that when machinery is complex and capable of being worked at high pressure a net economy of high wages and short hours emerges. In this light modern machinery is seen as the direct cause of high wages and short hours.

Our evidence leads to the conclusion that, while a rise of wages is nearly always attended by a rise of efficiency of labour and of the product, the proportion which the increased productivity will bear to the rise of wage will differ in every employment. Hence it is not possible to make a general declaration in favour of a policy of high wages or of low wages.

The economically profitable wages and hours will vary in accordance with many conditions, among the most important being the development of machinery, the strain upon muscles and nerves imposed by the work, the indoor and sedentary character of the work, the various hygienic conditions which attend it, the age, sex, race, and class of the workers.

Just as little can a general acceptance be given to the opposite contention that it is the increased efficiency of labour which causes the high wages. This is commonly the view of those business men and those economists who start from the assumption that there is some law of competition in accordance with whose operation every worker necessarily receives as much as he is worth, the full value of the product of his labour. Only by the increased efficiency of labour can wages rise, argue these people; where wages are high the efficiency of labour is found to be high, and *vice versa;* therefore efficiency determines wages. Just as the advocates of the economy of high-wages theory seek by means of trade-unionism, legislation, and public opinion to raise wages and shorten hours, trusting that the increased efficiency which ensues will justify such conduct, so the others insist that technical education and an elevation of the moral and industrial character of the workers must precede and justify any rise of wages or shortening of hours, by increasing the efficiency of labour. Setting aside the assumption here involved that the share of the workers in the joint product of capital and labour is a fixed and immovable

proportion, this view rests upon a mere denial of the effect which it is alleged that high wages and a rise in standard of comfort have in increasing efficiency.

The relation between wages and other conditions of employment, on the one hand, and efficiency of labour or size of product on the other, is clearly one of mutual determination. Every rise in wages, leisure, and in general standard of comfort will increase the efficiency of labour, every increased efficiency, whether due directly to these or to other causes, will enable higher wages to be paid and shorter hours to be worked.

It should be clearly recognised that in the consideration of all practical reforms affecting the conditions of labour, the "wages" question cannot be dissociated from the "hours" question, nor both from the "intensity of labour" question; and that any endeavour to simplify discussion, or to facilitate "labour movements," by seeking a separate solution for each is futile, because it is unscientific. When any industrial change is contemplated, it should be regarded, from the "labour" point of view, in its influence upon the net welfare of the workers, due regard being given, not merely to its effect upon wage, hours, and intensity, but to the complex and changing relations which subsist in each trade, in each country, and in each stage of industrial development between the three.

c) SOME ATTEMPTS TO DEFINE SKILL AND "WORTH"

i) "Skill" in the Men's Clothing Industry.[1]

Skill is something which we all talk about but for which there is no standard definition. And it is difficult to define. We consider that it has reference to the following elements, viz.: (1) the character of the work elements that compose the whole operation, particularly the care with which they must be performed in order not to impair the quality of the product, together with the worker's required knowledge and ability not only to judge effects after they have been produced but to *foreknow* them; (2) the complexity of the motions; (3) variation and complexity of the whole operation; (4) the type of operative that is adapted to the operation and the experience that he must have had in the organization in order to be properly qualified for the operation in question. An excellent example of this first element is in hand pressing, where the operative must be able not only to recog-

[1] Taken with permission from Frank J. Becvar, "A Method of Grading and Valuing Operations," in *Annals of the American Academy*, pp. 15–16 (March, 1922).

nize the quality of the effect he has produced, but to pre-judge this effect on each kind or texture of cloth and thereby know how to treat it.

In determining the character and complexity of the motions that compose an operation as a whole, the careful analysis made by the time study observer is extremely valuable. The experienced time study observer is able to grade the elements from the character of his readings. The greater the number of difficult elements in the whole operation, the higher the grade.

A good comparison to illustrate the meaning of the third element is the comparison of the relatively short, simple and uniform operation of sewing wigans or rectangular silesia pieces onto the bottoms of coat sleeves to stiffen them, with the lengthy, very complex and variable operation of "pocket making" in which the operative must know how to put in all kinds of pockets—flap, horizontal welt, vertical welt with inlaid facing, slanting welt, crescent shaped pockets, piped edges, patch pockets and the like.

Finally, some operations are of such character that the operative is not properly qualified to perform them unless he knows the work that has gone before or that is to follow. Several years' work on other parts of the garment making process may be required of an operative before he can acquire the knowledge and understanding needed for the operation in question. General experience with operations as performed under the general conditions in the organization may also be essential. Furthermore, even without such versatility, some operations involve a longer training period than others before the operative can come up to the standard rate of performance.

Thus skill, as above defined and judged, and the length of time normally required to bring the operative up to full proficiency in the given operation, inclusive of the time required to learn operations that lead up to it, are the factors that govern the relative valuations of the various operations. On this basis all operations are divided into grades known as classes. The values of these classes progress with a common difference of 5 or 10 cents per hour from the operations of the lowest to those of the highest class.

ii) An Illustration from the Automobile Industry[1]

Two men may be classed as machinists, yet one will be of greater value than the other to the industry that employs him. The individual differences that make that greater value are as follows:

[1] Taken with permission from R. M. Hudson, "Bases for Determining Wage Rates," in *Annals of the American Academy*, pp. 27–29 (March, 1922).

1. The relative rate of productivity or output is highly essential. If both men carry the same base rate, the faster of the two will be more of an asset than the other. It is conceivable, however, that both may be so slow in their performance as to be liabilities, for the costs of the work they do would be sadly out of proportion to the price obtainable for their products. It follows, then, that certain minimum standards of output must be established for which the base rate is fair compensation. That minimum output is easily deduced from a study of the probable maximum price obtainable, and the consequent maximum allowable cost for each component. Greater output than that standard can be rewarded by a direct return in the wage-rate of a share of the savings resulting from the lower costs effected by that higher productivity. The determination of the standards can be most scientifically accomplished through time studies, made under highly standardized conditions of operation.

2. The tendency to speed up output, however, brings with it a greater risk of spoilage, and consequently the losses resulting must be shared by the worker responsible for them in a reduction in his individual rate proportional to those losses. It is thus possible for the worker to govern his rate of production so that he earns more than his class rate, and yet have little or no spoilage. He soon learns the relative value of speed and accuracy in their relation to his rate of earning.

3. The worker who can do more than one particular thing is entitled to recognition for his versatility; for obviously he is of more value to his employer in that he provides the latter with a more flexible organization than he otherwise would have, and, consequently the annual labor turnover is lowered, and its expense lessened by reason of the worker's greater ability.

4. Recognition of the years of connected service of an employe has its value in stabilizing the industry and further lessening the costs of turnover.

5. Regular attendance likewise is of value, for the losses due to idle machinery or interrupted routine are thus minimized.

6. Good conduct and high cooperation from employes are of appreciable value to an employer, and though some may argue that "virtue is its own reward," and that "custom does not give medals for honesty," the influence of highly cooperative, self-governing employes is very helpful in obtaining a high efficiency of operations.

These individual factors will have varying values with respect to each other, and according to the extent to which they contribute to

the success of different enterprises; but they should be recognized in every industry, for to the industry, these factors are the expression of the value of the individual and to the worker, they are direct and tangible means of achieving his desires.

C. Underlying Market Forces

6. THE HIGGLING OF THE MARKET[1]

The higgling of the market, which, under a system of free competition and individual bargaining, determines the conditions of employment, occurs in a chain of bargains linking together the manual worker, the capitalist employer, the wholesale trader, the shopkeeper, and the customer.

We begin with the bargain between the workman and the capitalist employer. We assume that there is only a single situation vacant and only one candidate for it. When the workman applies for the post to the employer's foreman, the two parties to the bargain differ considerably in strategic strength. There is first the difference of alternative. If the foreman, and the capitalist employer for whom he acts, fail to come to terms with the workman, they may be put to some inconvenience in arranging the work of the establishment. Even if the workman remains obdurate, the worst that the capitalist suffers is a fractional decrease of the year's profit. Very different is the case with the wage-earner. If he refuses the foreman's terms even for a day, he irrevocably loses his whole day's subsistence. Sooner or later he must come to terms, on pain of starvation or the workhouse. And since success in the higgling of the market is largely determined by the relative eagerness of the parties to come to terms—especially if this eagerness cannot be hid—it is now agreed, even if on this ground alone, "that manual laborers as a class are at a disadvantage in bargaining."

But there is also a marked difference between the parties in that knowledge of the circumstance which is requisite for successful higgling. "The art of bargaining," observed Jevons, "mainly consists in the buyer ascertaining the lowest price at which the seller is willing to part with his object, without disclosing, if possible, the highest price which he, the buyer, is willing to give. The power of reading another man's thoughts is of high importance in business." Now the essential economic weakness of the isolated workman's position, as we have just described it, is necessarily known to the employer and

[1] Adapted with permission from Sidney and Beatrice Webb, *Industrial Democracy*, pp. 654–57, 661–63, 665–66, 667–71. (Longmans, Green & Co., 1911.)

his foreman. The isolated workman, on the other hand, is ignorant of the employer's position.

So far the argument that the isolated workman, unprotected by anything in the nature of Trade Unionism, must necessarily get the worst of the bargain, rests on the assumption that the capitalist employer will take full advantage of his strategic strength, and beat each class of wage-earners down to the lowest possible terms. In so far as this result depends upon the will and intention of each individual employer, the assumption is untrue. A capitalist employer who looks forward, not to one but to many years' production, and who regards his business as a valuable property to be handed down from one generation to another, will, if only for his own sake, bear in mind the probable effect of any reduction upon the permanent efficiency of the establishment. He will know that he cannot subject his work-people to bad conditions of employment without causing them imperceptibly to deteriorate in the quantity or quality of the service that they render. Unfortunately, the intelligent, far-sighted, and public-spirited employer is not master of the situation. Unless he is protected, he is constantly finding himself as powerless as the workman to withstand the pressure of competitive industry. How this competitive pressure pushes him, in sheer self-defence, to take as much advantage of his work-people as the most grasping and short-sighted of his rivals, we shall understand by examining the next link in the chain.

Paradoxical as it may appear, in the highly developed commercial system of the England of to-day the capitalist manufacturer stands at as great a relative disadvantage to the wholesale trader as the isolated workman does to the capitalist manufacturer. In the higgling of the market with the wholesale trader who takes his product, the capitalist manufacturer exhibits the same inferiority of strategic position with regard to the alternative, with regard to knowledge of the circumstances, and with regard to bargaining capacity. First, we have the fact that the manufacturer stands to lose more by failing to sell his product with absolute regularity, than the wholesale trader does by temporarily abstaining from buying. To the manufacturer, with his capital locked up in mills and plant, continuity of employment is all-important. If his mills have to stop even for a single day, he has irrevocably lost that day's gross income, including out-of-pocket expenses for necessary salaries and maintenance. To the wholesale trader, on the other hand, it is comparatively a small matter that his stocks run low for a short time. His unemployed working-capital is,

at worst, gaining deposit interest at the bank, and all he foregoes is a fraction of his profits for the year. Moreover, as the wholesale trader makes his income by a tiny profit per cent on a huge turnover, any particular transaction is comparatively unimportant to him.

There is, moreover, another reason that makes the manufacturer yield to the constant nibbling at price, which forms so large a part of the art of the wholesale trader. In order that the manufacturer may make a profit on the year's trading he must obtain for his output, not only enough to cover the outgoings for wages and raw material—the "prime cost" of the finished product—but also the standing charges of the manufactory, termed by Professor Marshall the "supplementary cost." When a manufacturer is pressed to make a bargain at the lowest price, rather than see his mill stand idle, it is the "prime cost" which he thinks of as the minimum that he can accept without loss, since the standing charges will go on anyhow. Each manufacturer in turn prefers to sell at "prime cost" rather than not to get an order at all, with the result, as the saying is, of "spoiling the market" for themselves and their rivals alike. The standing charges have to be met somehow, and the harassed employer is forced to turn for relief to any possible cutting-down of the expenses of production, wages not excluded. Meanwhile, the wholesale trader sees no possible objection to the reduction he has effected. To him it is of no pecuniary consequence that a large proportion of the manufacturers of a particular article are only just managing to cover its "prime cost," and are thus really losing money, or that the workpeople in the hardest pressed mills or the least fortunate districts are, owing to a worsening of conditions, beginning to degrade in character and efficiency. If the product seriously falls off in quality relatively to the price demanded, he can go elsewhere; and he makes, moreover, quite as large a percentage on low-grade goods as on those of standard excellence.

But we should make a mistake if we imagined that the pressure originated with the wholesale trader. Just as the manufacturer is conscious of his weakness in face of the wholesale trader, so the wholesale trader feels himself helpless before the retail shopkeeper to whom he sells his stock. Here the inferiority is not in any greater loss that would arise if no business were done, for the retailer is impelled to buy by motives exactly as strong as those which impel the wholesale house to sell. Nor is it in any difference in bargaining power. In both these respects the wholesale house may even have the advantage

over the shopkeepers. But the shopkeepers have a closer and more up-to-date knowledge of exactly what it is that customers are asking for, and, what is far more important, they can to some extent direct this demand by placing, before the great ignorant body of consumers, one article rather than another. They have, therefore, to be courted by the wholesale trader, and induced to push the particular "lines" that he is interested in. But there has been, for the last half century, a constant tendency towards a revolution in retail trade. In one town or one district after another there grow up, instead of numberless little shops, large retail businesses, possessing as much capital and commercial knowledge as the wholesale house itself, and able to give orders that even the wealthiest manufacturers are glad to receive. Hence the wholesale house stands in constant danger of losing its clients, the smaller ones because they cannot buy cheaply enough to resist the cutting prices of their mammoth rivals, and these leviathans themselves because they are able to do without their original intermediaries. The wholesale trader's only chance of retaining their custom is to show a greater capacity for screwing down the prices of the manufacturers than even the largest shopkeeper possesses. He is therefore driven, as a matter of life and death, to concentrate his attention on extracting, from one manufacturer after another a continual succession of heavy discounts or special terms of some kind. This, then, is the fundamental reason why the manufacturer finds the wholesale trader so relentless in taking advantage of his strategic position. Though often performing a service of real economic advantage to the community, he can only continue to exist by a constant "squeezing" of all the other agents in production.

We come now to the last link in the chain, the competition between retail shopkeepers to secure customers. Here the superiority in knowledge and technical skill is on the side of the seller, but this is far outweighted by the exceptional freedom of the buyer.

We thus arrive at the consumer as the ultimate source of that persistent pressure on sellers, which, transmitted through the long chain of bargainings, finally crushes the isolated workman at the base of the pyramid. Yet, paradoxical as it may seem, the consumer is, of all the parties to the transaction, the least personally responsible for the result. For he takes no active part in the process. In the great market of the world, he but accepts what is spontaneously offered to him. He does not, as a rule, even suggest to the shopkeeper that he would like prices lowered. All he does—and it is enough to

keep the whole machine in motion—is to demur to paying half a crown for an article, when some one else is offering him the same thing for two shillings. It may be urged that he ought to be ready to pay a higher price for a better quality. As a matter of fact, consumers, whether rich or poor, do strive, in an almost pathetic way, after some assurance of specific quality that would reconcile them to paying the higher price. They recognise that their own personal experience of any article is too casual and limited to afford any trustworthy guidance, and they accordingly exhibit a touching faith in "authority" of one kind or another. Tradition, current hearsay as to what experts have said, and even the vague impression left on the mind by the repeated assertions of mendacious advertisements, are all reasons for remaining faithful to a particular commodity, a particular brand or mark, or even a particular shop, irrespective of mere cheapness.

7. DOES "INDIVIDUAL BARGAINING" STILL EXIST?[1]

In the words of the National Conference of State Manufacturers' Associations, all people "have the right to work when they please, for whom they please, and on whatever terms are mutually agreed upon between employee and employer." These are noble words. They presuppose a society of unlimited rights exercised without hindrance by the standard of individual pleasure.

Let us imagine this utopia in action. John Smith, it happens, is pleased one fine morning to take a job. It occurs to him that he would rather enjoy driving the Twentieth Century Limited. So he walks into the office of the president of the New York Central Railroad and says: "It pleases me to work for you this morning. The train to be sure does not ordinarily start until 2:45, but I'll start now. I work when I please." "Right you are," says the president, "let us now mutually agree on terms. What'll you take for the job?" "Well," says John Smith, "Chicago does not interest me much, but I shall enjoy the ride. Let's make it an even twenty." "Too much," says the president. "I generally pay about ten." "Hm," says John Smith, "I tell you. Let's split the difference." "Fine," says the president, "in our country it is recognized as fundamental that we work when we please, for whom we please, and on whatever terms are mutually agreed upon. . . . . You say you will start at once?"

[1] Adapted with permission from an editorial in the *New Republic*, Vol. XXV, No. 321 (January 26, 1921), p. 243.

"Almost at once," says John. "I've got just thirty pages of the *Age of Innocence* to finish, and a luncheon engagement at the Club to call off; I'll be ready around eleven."

Having stopped for a shave and a shine, John did not actually start till twelve-thirty. As the train sped up the Hudson Valley he drank in the air and thought that except in a Veronese at the Pitti and in two bits of early Ming that he had so loved when he was staying at Albemarle House with Margot and Colonel Repington, he had never seen such a celestial blue. Colonel Repington suddenly reminded him of lunch, and at Poughkeepsie he stopped. About five o'clock, lunch being over, John strolled down to the train, slowly finishing his excellent cigar. Towards seven he pulled into Albany, and took a cab to the Ten Eyck, where he thought he would change for dinner. A telegram from the perspicacious president was brought to him. It read: "Forgive the unwarranted intrusion upon your private affairs. A harsh and meddlesome government has been inquiring all afternoon when the mails are likely to reach Chicago. I realize that you work only when you please and for whom you please, but as one man to another, won't you advise me of your plans."

John thought this over for an hour or two, reflecting sadly on the increasing restriction of liberty. On sober second thought he felt that he had better decide the question in the morning, when he was fresh from a good night's sleep. So he turned in, renewed his shaken spirits by reading a few resonant passages from the *Weekly Review*, and fell asleep, only to find himself in the midst of the wildest and most hideous nightmare.

As is usual in such dreams some features of the previous day's experience were reproduced, though distorted. He went in search of a job. But instead of finding his employer, the president, he was shunted from porters to ticket agents, and from ticket agents to employment offices, and from there to a long line of waiting men. Finally he was interviewed. His desire to run the Twentieth Century that afternoon was greeted with a roar of irreverent laughter, but he was told that he could try out as the second assistant helper on the local freight between Jericho and Mineola. He would report at six A.M. The wages were $4.32. What, he didn't like this? He wanted to work when he pleased, for whom he pleased, on terms mutually agreed upon? He was welcome to try somewhere else. This was a free country, to be sure, but not for nuts. In the futile and exasperat-

ing manner of dreams, he repeated all this several times, being shunted about, standing in line, being told to take it or leave it.

Whether John's experience or John's nightmare is nearer to the facts as they exist in 1921, we do not commit ourselves. But on the off chance that John's nightmare might conceivably be true in two or three backward spots, we venture to set down the belief that it is necessary to consider not only whether "rights" exist, but whether anyone can today exercise them. A right on which men cannot act is as valuable as property on the moon. And today standards of employment, of discipline, of production, of pay and of hours are no longer matters of individual fancy, but have to be fixed for whole industries.

8. THE LEVELING FORCE OF THE MACHINE[1]

The automatic machine levels wages and distributes labor as between the factory, home and mills, but in much the same way, the spreading use of automatic machinery tends to level wages in all plants so equipped, though hindered at many points by special conditions and special labor contracts. Certain automatic machines are widely scattered, and can be found in every industrial centre. Many others present family likenesses. Even the greenest of green workers needs but short tutelage at his assigned machine; while the man who knows how much—or rather how little—is expected of him, can shake down quickly into efficient production. This means that a worker can shift from one line of production to another without grave loss of time. He may be a woodcutter or harvest hand this month, and a producer of automobile parts the next. If of a roving disposition, in a single year he may can salmon on the Pacific Coast, pour cement on an irrigation dam in Idaho, mill flour in Minnesota, cut pearl buttons in Iowa, mould iron in Ohio, weave silk in Jersey, and make rubber tires in New England. If this is not an exact statement at this writing, it is fast coming true, as skill is more and more transferred from man to machine. The outcome of such easy transitions must be a highly efficient distribution of labor-power on the one hand, and, on the other, a progressive leveling of wages as among all automatized industries. "The old trade-demarcations," says Lloyd, "have largely ceased to exist; and with their passing the old differences of pay have correspondingly declined."

[1] Adapted with permission from Arthur Pound, *The Iron Man in Industry*, pp. 18–25. (The Atlantic Monthly Press, 1922.)

This leveling tendency, moreover, is no respecter of sex. Since women can tend many automatic tools as well as men, it follows that the wages of the two sexes must draw together. They may never reach uniformity, because many women view jobs as temporary stop-gaps on the road to marriage, and this handicaps them as yet in the eyes of many employers. This, and kindred non-economic considerations, may affect the result; but they cannot stop the drift toward the equality of wage. It is no unusual thing, even now, to find a young wife earning as much as, or more than, her husband. As time goes on, this will become too common to command notice.

Likewise, automatic machinery tends to break down the former disparity of wage as between age and youth. Children of twelve can tend many automatic machines as competently as adults. Youths, in fact, approach their highest wage during the very years in which the boys of a generation ago were earning less than living wages as apprentices. Eighteen to twenty-five are the most gainful years for the machinate mammal.

The leveling proceeds with ruthless disregard for race or nationality. While a knowledge of the native tongue may be desirable, it is by no means essential. Witness the widespread employment of our newly arrived immigrants on automatic machines, their earnings on a par with those of native-born products of our public schools. Notwithstanding that the color-line rarely gives the negro a chance at automatics, the black populations of our northern industrial cities increased faster than the white populations from 1910 to 1920. Bringing black labor north became a highly organized enterprise. The pay for negroes, generally speaking, maintained a parity with white labor on the same kind of work; and while blacks are not often put on machines, there is no doubt that many blacks can fill the requirements of machine attendance.

Automatic machines in offices affect the "white-collar" group in industry precisely as shop-workers are affected. With adding machines and other mechanisms, and standardized office-systems, need for special skill is decreasing among office-workers. The old-fashioned bookkeeper, the aristocrat of *fin-de-siècle* offices, is fast becoming as obsolete a type as the old-fashioned mechanic, the one-time aristocrat of the shops. Stenographic skill is subject to the competition of the phonograph; the typist is entering into competition with the duplicating typewriter. Meanwhile, public schools and business colleges are producing an abundance of persons sufficiently

educated for the simplified office tasks. In addition, the higher social status enjoyed by such workers can be depended upon to furnish surplus labor for such activities in ordinary times; with the result that we pay practically the same rate to washerwomen and typists; also to cooks and stenographers, when board-and-lodging costs are considered. These influences tended to bring office-work down to the wage level of factory-work before the war; as office-workers began to go over into the ranks of factory-workers, owing to war-wage rates in the factories, office-wages began to rise. From this time on, owing to the fact that labor can flow from one group to the other more easily than ever before, disparity of wage between the two groups will tend to correct itself promptly.

So far as the technical experts—chiefly chemists and engineers—are concerned, the situation is fairly clear. They are being turned out in such numbers by colleges and universities that, except in sudden bursts of industrial expansion, the supply tends to outrun the demand. There is no wide rift between the pay of a Bachelor of Science, just out of college, and the pay of a factory operative. A city-engineering department can hire draughtsmen about as cheaply as common laborers. All institutions of higher learning are growing in attendance, particularly in the technical branches. Also, the training tends to become more thorough, hence more productive of men fitted to move in the highest circles of industrial production. From all indications, universities and colleges are as apt to flood the market with engineers and chemists as the mothers of the country are to flood it with unskilled labor. Public education, therefore, tends to level toward the general average the pay for such service.

9. THE INFLUENCE OF THE BUSINESS CYCLE[1]

Into the sweep of the changes which follow hard upon one another when business revives from depression there is presently drawn even the least businesslike section of the community—the wage-workers whom we habitually think of not as making money but as making a living. For reasons of peculiar interest the changes which take place in their rates of pay do not run parallel with the changes in the prices fixed for commodities by dealings between business enterprises. The results which flow from this inaccurate adjustment in their turn become new factors of great weight not only in determining the material well-being of large numbers of men—a matter with which

[1] Adapted with permission from W. C. Mitchell, *Business Cycles*, pp. 464–66. (University of California, 1913.)

business as such is not concerned—but also in determining the market for consumers' goods and the margins of profit between the selling prices of all sorts of commodities and the labor costs of providing them.

Both American and British statistics confirm the prevailing opinion that in times of business revival the prices of labor rise less than the prices of commodities at wholesale. The American figures are confined to wages in manufacturing industries, but the British figures indicate that wages in agriculture are even more sluggish in their movements.

Less well known is the fact that the advance often begins sooner in the labor than in the commodity markets. Yet both in the United States and in Great Britain wages began to rise after the depression of the middle nineties before wholesale prices had touched their lowest point. The evidence for the second decade is less conclusive. The crisis of 1903–1904 was not sufficiently severe in America to cause a reduction of wages. In England the crisis of 1900 was followed by wage-reductions, and in the later revival wholesale prices advanced not only farther but also earlier than the prices of labor.

The reason why wages rise less than wholesale prices is found principally in the unlike organization of the labor and commodity markets. Where trade unions are non-existent or weak the individual laborers have neither the prompt knowledge of changes in business conditions necessary to determine what employers can afford to pay for labor, nor the power to enforce such demands as are not readily conceded. As an organization for collective bargaining, the trade union improves the wage-earners' position in these respects.

But many unions seek to make wage-contracts running for a considerable time and binding the men not to ask for fresh advances until the contracts have expired. Most important of all, the individual working-man, the trade union, and the employer are much more under the dominion of the idea of a just price than are the business men dealing in commodities. This survival from the relatively stable economic life of the middle ages has almost ceased to influence the prices men offer or accept for cotton, wheat, or iron;—such commodities are "worth what they will bring." But there still persists in the minds of all the parties in the labor market certain notions of what is a proper wage for a day's labor. When the employer offers much less than the customary price, he arouses stubborn resistance which is reinforced by the whole community's commonsense that the work is worth more, or that a man cannot support his family decently on such a sum. On the other hand, when working-men ask much more than the customary prices, their pretensions strike others as

absurd. Of course, such feelings impede the free working of supply and demand in the labor market—or rather constitute an important feature of both supply-price and demand-price—and tend to keep wages more stable than are prices in markets where pecuniary motives have unrestricted sway.

If these conditions obstruct the rapid rise of wages when business revives, they also facilitate the restoration of wages to the customary levels when a depression accompanied by wage-reductions is passing away. Such is the explanation of the celerity with which wages rose after the hard times in the nineties. Early in the movement toward increase of activity in the United States before a revival could fairly be spoken of, employers conceded a slight increase of pay. That English employers did not follow the same course in the revival of 1904–6 may be due to the fact that the unprecedentedly high rates which the men had secured before the crisis of 1900 had not been paid long enough to become fairly entrenched in the minds of masters and men as the fit and proper prices to be charged. Hence they yielded with unaccustomed ease to the pressure of hard times after the crisis and were restored in the subsequent period of prosperity with unaccustomed difficulty.

It must also be said that the economic pressure which drives the great mass of wage-earners to sustain their arduous struggles for higher wages relaxes just at the time when rapid increases might be wrung from employers. The relatively moderate rate at which retail prices rise in the earlier stages of revival prevents the cost of living from going up fast. On the other hand, the economic position of working men is being improved by the greater regularity of employment and the abolition of "short time." Even without any increase in their rates of pay the wage-earning class is better off. They hesitate to demand an increase of their customary wages until the feeling of this relative prosperity is dulled by familiarity, until the cost of living has advanced seriously, and until personal savings or trade-union accumulations have put them in position to fight with vigor.

10. IMMIGRATION AND THE LABOR MARKET

a) AN OFFICIAL VIEW[1]

A large proportion of the southern and eastern European immigration of the past twenty-five years has entered the manufacturing and mining industries of the eastern and middle western states,

[1] Adapted from *Conclusions and Recommendations of the Immigration Commission*, pp. 29–30. (Document No. 783. Government Printing Office, Washington, 1911.)

mostly in the capacity of unskilled laborers. There is no basic industry in which they are not largely represented and in many cases they compose more than 50 per cent of the total number of persons employed in such industries. Coincident with the advent of these millions of unskilled laborers there has been an unprecedented expansion of the industries in which they have been employed. Whether this great immigration movement was caused by the industrial development or whether the fact that a practically unlimited and available supply of cheap labor existed in Europe was taken advantage of for the purpose of expanding the industries, cannot well be demonstrated. Whatever may be the truth in this regard it is certain that southern and eastern European immigrants have almost completely monopolized unskilled labor activities in many of the more important industries. This phase of the industrial situation was made the most important and exhaustive feature of the Commission's investigation, and the results show that while the competition of these immigrants has had little, if any, effect on the highly skilled trades, neverthless, through lack of industrial progress and by reason of large and constant re-enforcement from abroad, it has kept conditions in the semiskilled occupations from advancing.

Several elements peculiar to the new immigrants contributed to this result. They came from countries where low economic conditions prevailed and where conditions of labor were bad. They were content to accept wages and conditions which the native American and immigrants of the older class had come to regard as unsatisfactory. They were not, as a rule, engaged at lower wages than had been paid to the older workmen for the same class of labor, but their presence in constantly increasing numbers prevented progress among the older wage-earning class, and as a result that class of employees was gradually replaced. An instance of this displacement is shown in the experience in the bituminous coal mines of western Pennsylvania. This section of the bituminous field was the one first entered by the new immigrants, and the displacement of the old workers was soon under way. Some of them entered other occupations and many of them migrated to the coal fields of the middle west. Later these fields were also invaded by the new immigrants, and large numbers of the old workers again migrated to the mines of the southwest, where they still predominate. The effect of the new immigration is clearly shown in the western Pennsylvania fields, where the average wage of the bituminous coal worker is 42 cents a day below the average wage in the middle west and southwest. Incidentally, hours of labor are

longer and general working conditions poorer in the Pennsylvania mines than elsewhere. Another characteristic of the new immigrants contributed to the situation in Pennsylvania. This was the impossibility of successfully organizing them into labor unions. Several attempts at organization were made, but the constant influx of immigrants to whom prevailing conditions seemed unusually favorable concontributed to the failure to organize. A similar situation has prevailed in other great industries.

Like most of the immigration from southern and eastern Europe, those who entered the leading industries were largely single men or married men unaccompanied by their families. There is, of course, in practically all industrial communities a large number of families of the various races, but the majority of the employees are men without families here and their standard of living is so far below that of the native American or older immigrant workman that it is impossible for the latter successfully to compete with them. Immigrant families in the industrial centers are more permanent and usually exhibit a stronger tendency toward advancement, although, in most cases, it is a long time before they even approach the ordinary standard of the American or the older immigrant families in the same grade of occupation. This description, of course, is not universally true, but it fairly represents a great part of the recent immigrant population in the United States. Their numbers are so great and the influx is so continuous that even with the remarkable expansion of industry during the past few years there has been created an over supply of unskilled labor, and in some of the industries this is reflected in a curtailed number of working days and a consequent yearly income among the unskilled workers which is very much less than is indicated by the daily wage rates paid; and while it may not have lowered in a marked degree the American standard of living, it has introduced a lower standard which has become prevalent in the unskilled industry at large.

b) AN ORGANIZED LABOR VIEW[1]

The standard of wages for both skilled and unskilled labor in the United States has been built up as a result of years and years of energetic effort, struggle and sacrifice. When an immigrant without resources is compelled to accept work at less than the established wage rate, he not only displaces a man working at the higher rate but

[1] Taken from an article by John Mitchell, reprinted in Senate Document 804, 1911, pp. 8, 9, 11.

his action threatens to destroy the whole schedule of wages in the industry in which he secures employment, because it not infrequently occurs that an employer will attempt to regulate wages on the basis of the lowest rate paid to any of the men in his employ. Any reduction in wages means a lowering of the standard of living and the standard of living among a civilized people cannot be lowered without lowering in the same ratio the physical standard and the intellectual and moral ideals of that people.

Of course it may be said that this observation is not borne out by the experience and the history of our country. It is admittedly true that our population is largely an immigrant population, and that the standard of living has gradually tended higher; but in considering the influence and effects of stimulated immigration it is necessary to contrast conditions now with conditions prevailing in the past, and also to keep in mind the change that has taken place in the extent and the character of the immigration.

If the number of aliens coming annually to the United States were no greater now than in any year between 1820 and 1880, there would be and could be no reasonable ground for complaint; indeed, there would be little demand from wage earners for the enactment of laws restricting immigration if the number of aliens arriving did not exceed the number admitted in any year up to 1900, provided, of course, that such aliens were not brought here as contract laborers or were not physically, mentally, or morally defective.

That immigration in recent years has been stimulated beyond the line of assimilative possibility will be apparent even to the casual observer when the volume of immigration at the present time and in the recent past is compared with the number of immigrants who arrived here during the first 80 years for which statistics have been tabulated. For illustration, more aliens were admitted through our ports in one year, 1907, than were admitted during the entire 24 years from 1820 to 1843, inclusive, and nearly as many aliens were admitted in the 5 years from 1904 to 1908, inclusive, as were admitted during the 40 years from 1820 to 1859, inclusive.

That there is an inseparable relation between unemployment and immigration is demonstrated by the statistics which are available upon the subject. There are, of course, no complete data showing the extent and effects of unemployment, but from the records of 27 national and international trade unions it is found that during the year 1908 from 10 to 70 per cent of the members of various trades were

in enforced idleness for a period of one month or more. These 27 unions are selected from the highly skilled trades, in which organization is most thorough and systematic. Their records show that an average of 32 per cent of the total membership was unemployed. If this ratio applied to other organizations it would indicate that approximately 1,000,000 organized workmen were without employment during the past year. Assuming that unemployment affected the unskilled and unorganized wage-earners in the same proportion, it would mean that 2,500,000 wage-earners were unemployed; and while there has been a marked improvement in industrial conditions during the past few months, it will not be contended that unemployment is not still a serious problem, and the cause of great and general suffering. Indeed, it is perfectly safe to say that unskilled and unorganized workmen suffered more from unemployment, both as to the proportion who were so unemployed and in actual physical and mental distress, because the organized workman, in most instances, had built up in normal times a fund upon which he could draw to tide him over his emergency; whereas the unskilled and unorganized workmen—many of whom are recently arrived immigrants—were forced to depend upon charity or upon the munificence of their friends to carry them over the industrial crisis.

See also Selection 13, chapter vi: Racial Elements in Our Population.

PROBLEMS

1. Is there any difference between wages and salaries? If there is, has it any practical importance?
2. What are the distinctions between labor and commodities?
3. Is labor becoming more or less mobile? Justify your answer.
4. "The regularity or irregularity of work is a most important consideration in comparing the advantages of different occupations." Why? Does it have any effect on wages?
5. What is the difference between wages and labor cost? Has it any practical importance?
6. Do higher wages mean higher prices?
7. "The opportunity of training and entry into trades is then the important influence and the fundamental reason for the difference in the wages of different occupations." Do you agree? If you do, show just how the statement is true.
8. "There are several kinds of immobility which interfere with the free flow of labor: among them geographical immobility, economic immobility and social immobility." What does each of these terms mean?

9. "Organized labor usually wishes to standardize wages." "Modern management tends to standardize wages." "The forces of the market tend to standardize wages over large areas." Does "standardization" mean the same thing in each case?
10. Suggest as many ways as possible in which the machine has affected wages.
11. What does Mr. Hobson mean by the "economy of high wages"? What factors determine its applicability as a policy?
12. "Any endeavor to simplify discussion by seeking a separate solution of the wages, hours and intensity of work questions is futile because unscientific." What does this statement mean?
13. "Large-scale organization of industry is a distinct advantage to the worker. It stabilizes the market and minimizes sudden shifts due to technological change." Do you agree?
14. "The wage 'bargain' has become purely mythical. Large-scale production has eliminated it." What do you think of this statement?
15. The war drastically reduced immigration, and Congress has since enacted laws which promise to perpetuate that reduction. What effect, if any, do you think this will have on wages? What factors have to be considered in working out a tentative answer?
16. "The fundamental difference between the position of the worker of today and the worker of yesterday may be expressed by saying that his income has become a function of the market instead of a function of divine law." What does this statement mean? To what extent is it true?
17. What is the difference between the medieval "just price" and the modern "fair day's pay for a fair day's work"? Is there any difference of principle, or are both purely matters of customary determination?

CHAPTER VIII

A SURVEY OF WAGE THEORY

The purpose of the present chapter is twofold: to review briefly some views about wages which have obtained in the recent past and the present; and to inquire what standards, if any, are available for the wise determination of wages today. The chapter is divided into two parts corresponding roughly to these purposes.

No pretense is made in the first part of presenting an exhaustive analysis of the various older wage "theories": that lies outside the scope of our present study. There are, however, ample reasons for examining them briefly here as an introduction to a consideration of present-day standards of judgment.

Among many possible lines of approach to their consideration, three might be indicated. The first has to do with their respective adequacy for the purpose they were intended to serve, that of presenting in proper perspective the operation of the market forces determining the distribution of income among the various "factors" of production: land, labor, and capital. How accurate is each in evaluating the relative strength of the various forces which determine wages? How true are the assumptions from which each argues? Assuming that any one describes fairly truthfully certain general tendencies, what qualifications, if any, would be necessary to make it fit the facts? In what sense can they be regarded as "laws"?

A second type of inquiry might concern itself with the tradition which the classical theories may be regarded as having helped to establish. To what extent have their assumptions, whether true or false, grown unconsciously into our everyday thinking about wages, and consequently into our business practice? To what extent is it true, as sometimes charged, that they have lent themselves to "rationalization" and hence to justification of whatever state of affairs existed at the time they were formulated?

Still a third approach to a study of wage theory might raise a series of problems somewhat outside the limits of the questions which the classical formulas set themselves to answer; problems relating to the possibility of consciously controlling wages in the light of definite social aims. Granted that wages are, somehow, governed largely by market forces (or "supply and demand"), to what extent

are these forces capable of manipulation and direction? Both demand and supply elements are in fact controlled in some measure in the actual world, as for example by manufacturers' organizations and trade unions. Not only must this fact be taken account of in the formulation of pictures of the process of income distribution; it must also be considered from the point of view of social and business policy. To what extent are existing forms of control wise? To what extent might other types of control, designed for definite purposes, be either possible or desirable?

This last type of inquiry, it will be seen, involves the further question of determining standards of judgment by which the wisdom of control might be gauged. What would be the effects on society and on production of a different basis of compensation from the one now followed? How determine the justice or expediency or wisdom of compensation as among different individuals? In short, so far as wages are concerned, what results are our present institutions expected to accomplish, and how well do they perform their task? If they have weaknesses, what means are available for dealing with them?

Through most of the nineteenth century, since "natural laws" were assumed to govern the whole process, often no distinction was made among these various types of issues. Frequently the same is true today: the market is accepted unquestioningly as the ethical and political as well as the economic arbiter. As a result of many social influences, however, this situation seems to be changing, and various "standards" for wage adjustment are being proposed and used. The second part of this section furnishes an introduction to some of these possible standards. In so far as they can be reduced to concrete form some of them are more explicitly defined in the later chapters of this part. Much more will be seen of them in the remaining parts of the book.

A. Some Systematic Wage Theories

1. THE SUBSISTENCE THEORY OF WAGES (RICARDO, 1817[1])

Labour, like all other things which are purchased and sold, and which may be increased or diminished in quantity, has its natural and its market price. The natural price of labor is that price which is necessary to enable the laborers, one with another, to subsist and to perpetuate their race, without either increase or diminution.

[1] Adapted with permission from David Ricardo, *The Principles of Political Economy and Taxation*, pp. 52–53. (Everyman Ed., E. P. Dutton & Co.)

The power of the laborer to support himself, and the family which may be necessary to keep up the number of laborers, does not depend on the quantity of money which he may receive for wages, but on the quantity of food, necessaries, and conveniences become essential to him from habit which that money will purchase. The natural price of labour, therefore, depends on the price of the food, necessaries, and conveniences required for the support of the laborer and his family. With a rise in the price of food and necessaries, the natural price of labor will rise; with the fall in their price, the natural price of labor will fall.

With the progress of society the natural price of labor has always a tendency to rise, because one of the principal commodities by which its natural price is regulated has a tendency to become dearer from the greater difficulty of producing it. As, however, the improvements in agriculture, the discovery of new markets, whence provisions may be imported, may for a time counteract the tendency to a rise in the price of necessaries, and may even occasion their natural price to fall, so will the same causes produce the correspondent effect on the natural price of labor.

The market price of labor is the price which is really paid for it, from the natural operation of the proportion of the supply to the demand; labor is dear when it is scarce and cheap when it is plentiful. However much the market price of labor may deviate from its natural price, it has, like commodities, a tendency to conform to it.

It is when the market price of labor exceeds its natural price that the condition of the laborer is flourishing and happy, that he has it in his power to command a greater proportion of the necessaries and enjoyments of life and therefore to rear a healthy and numerous family. When, however, by the encouragement which high wages give to the increase of population, the number of laborers is increased, wages again fall to their natural price, and indeed from a reaction sometimes fall below it.

When the market price of labor is below its natural price, the condition of the laborers is most wretched: then poverty deprives them of those comforts which custom renders absolute necessaries. It is only after their privations have reduced their number, or the demand for labor has increased, that the market price of labor will rise to its natural price, and that the laborer will have the moderate comforts which the natural rate of wages will afford.

Notwithstanding the tendency of wages to conform to their natural rate, their market rate may, in an improving society, for an

indefinite period, be constantly above it; for no sooner may the impulse which an increased capital gives to a new demand for labor be obeyed, than another increase of capital may produce the same effect; and thus, if the increase of capital be gradual and constant, the demand for labor may give a continued stimulus to an increase of people.

2. A STATEMENT AND CRITICISM OF THE WAGE-FUND THEORY (F. A. WALKER, 1876)[1]

The doctrine of the wage-fund is in substance as follows:

There is, for any country, at any time, a sum of wealth set apart for the payment of wages. This fund is a portion of the aggregate capital of the country. The ratio between the aggregate capital and the portion devoted to the payment of wages is not necessarily always the same. It may vary, from time to time, with the conditions of industry and the habits of the people; but at any given time the amount of the wage-fund, under the conditions existing, is determined in the amount of capital.

The wage-fund, therefore, may be greater or less at another time, but at the time taken it is definite. The amount of it cannot be increased by force of law or of public opinion, or through sympathy and compassion on the part of employers, or as the result of appeals or efforts on the part of the working classes.

The sum so destined to the payment of wages is distributed by competition. If one obtains more, another must, for that reason, receive less, or be kept out of employment altogether. Laborers are paid out of this sum, and out of this alone. The whole of that sum is distributed without loss; and the average amount received by each laborer is, therefore, precisely determined by the ratio existing between the wage-fund and the number of laborers, or, as some writers have preferred to call it, between capital and population.

The wage-fund having at any given time been determined for that time, the rate of wages will be according to the number of persons then applying for employment. If they be more, wages will be low; if they be fewer, wages will be high.

The doctrine of the wage-fund has found wide acceptance on both sides of the Atlantic. The natural history of the notion on which it rests is not obscure. It grew out of the condition of affairs which existed in England during and immediately subsequent to the Napoleonic wars. Two things were then noted. First, capital had become

[1] Adapted with permission from Francis A. Walker, *The Wages Question*, pp. 138–44, 128–32. (Henry Holt & Co., 1891.)

accumulated in the island to such an extent that employers found no (financial) difficulty in paying their laborers by the month, the week, or the day, instead of requiring them to await the fruition of their labor in the harvested or marketed product. Secondly, the wages were, in fact, generally so low that they furnished no more than a bare subsistence, while the employment offered was so restricted that an increase in the number of laborers had the effect to throw some out of employment or to reduce the rate of wages for all. Out of these things the wage-fund theory was put together. Wages are paid out of capital, and the rate is determined by the ratio between capital and population.

Both the facts observed were accidental, not essential. Wages in England were paid out of capital because capital had become abundant, and employers could just as well *not* pay their laborers as soon as the service was rendered. In the United States, at the same time, employers were paying their laborers larger wages, but obliging them to wait for the whole or a considerable part till the product should be harvested or marketed. In the United States, therefore, the *industrial* conditions were more favorable to the payment of wages, while in England the *financial* conditions were more favorable. But it is the industrial conditions which determine the amount of wages, the necessaries, comforts, and luxuries which the laborer receives; the financial conditions only determine the manner and time of payment, whether at once or at a future day, whether in money or in goods, etc.

Again, the fact that in England, at the time this doctrine sprang up, an increase of the number of laborers applying for employment involved, as it doubtless did, a reduction in the rate of wages, was due to the circumstance that English agriculture, in the then existing state of chemical and mechanical knowledge, had reached the condition of "diminishing returns." But at the same time in the United States, the accession of vast bodies of laborers was accompanied with a steadily increasing remuneration of labor, and states and counties were to be seen bidding eagerly against each other for these industrial recruits.

I would not impeach the scientific impartiality of those who first put forward in distinct form this theory of wages; but it may fairly be assumed that its progress towards general acceptance was not a little favored by the fact that it afforded a complete justification for the existing order of things respecting wages. If there was, in truth, a definite fund out of which wages were paid; if competition unerringly

distributed the whole of that sum; and if no more could be paid to the wages class, as a whole, without impairing capital and diminishing employment, and thus in the end injuring the laborers themselves, then surely it was an easy task to answer the complaints or remonstrances of the working classes, and to demonstrate the futility of trades-unions and strikes as means of increasing wages. If an individual workman complained for himself, he could be answered that it was wholly a matter between himself and his own class. If he received more, another must, on that account, receive less, or none at all. If a workman complained on account of his class, he could be told, in the language of Prof. Perry, that "there is no use in arguing against any one of the four fundamental rules of arithmetic. The question of wages is a question of division. It is complained that the quotient is too small. Well, then, how many ways are there to make a quotient larger? Two ways. Enlarge your dividend, the divisor remaining the same, and the quotient will be larger; lessen your divisor, the dividend remaining the same, and the quotient will be larger."

A most comfortable doctrine surely, and one which made it a positive pleasure to conduct a quarterly review in times when the laboring classes were discontented or mutinous. If the workman would not give up when told to enlarge his dividend, he was struck dumb on being informed that his only alternative was to lessen his divisor. The divisor aforesaid being flesh and blood, with certain attachments to home and life, and with a variety of inconvenient affections, was not to be lessened so easily. If the workman turned him from words to blows, and went out "on strike" with a view to better his conditions, it was regarded as the act of an irrational animal whose instincts, unfortunately, were not politico-economical.

It is argued, capital must furnish the measure of wages. On the contrary, I hold that wages are, in a philosophical view of the subject, paid out of the product of present industry, and hence that production furnishes the true measure of wages. The employer purchases labor with a view to the product of the labor; and the kind and amount of that product determine what wages he can afford to pay. He must, in the long run, pay less than that product, less by a sum which is to constitute his own profits. If that product is to be greater, he can afford to pay more; if it is to be smaller, he must, for his own interest, pay less. It is, then, for the sake of future production that the laborers are employed, not at all because the employer has possession

of a fund which he must disburse; and it is the value of the product, such as it is likely to prove, which determines the amount of the wages that can be paid, not at all the amount of wealth which the employer has in possession or can command. Thus it is production, not capital, which furnishes the motive for employment and the measure of wages.

While wages must be regarded as *paid* out of the product of current industry, wages are, to a very considerable degree, in all communities, *advanced* out of capital, and this from the very necessity of the case; while in those countries which have accumulated large stores of wealth, wages are, in fact, very generally, if not universally, so advanced, equally for the convenience of the employers and of the employed. Yet even where the entire amount of the weekly or monthly pay-roll is taken out of a store of wealth previously gathered and husbanded, it is not capital out of which wages are borrowed, but production out of which they are finally paid, to which we must look to find their true measure.

3. THE INFLUENCE OF THE OLDER THEORIES[1]

Down to within the last thirty years it would have been taken for granted by every educated man, that Trade Unionism, as a means of bettering the condition of the workman, was "against Political Economy." This impression was derived not so much from any explicit declaration of the economists, as from the general view of wages which enlightened public opinion had accepted from them. The theory of the wage-fund, in conjunction with closely related theories of the accumulation of capital and the increase of population, seemed definitely to contradict the fundamental assumptions on which Trade Unionism depended. If Political Economy was understood to demonstrate it was plainly impossible, in any given state of capital and population, to bring about any genuine and permanent rise of wages, otherwise than in the slow course of generations, it was clearly not worth while troubling about the pretensions of workmen ignorant of economic science. Accordingly, for the first three quarters of the century we find, beyond the accustomed denunciation of outrages and strikes, practically nothing but a general and undiscriminating hostility to Trade Unionism in the abstract, couched in the language of theoretical economics. And although the theory, with all its

[1] Adapted with permission from Sidney and Beatrice Webb, *Industrial Democracy*, pp. 603–16. (Longmans, Green & Co., 1902.)

corollaries, has now been abandoned by economic authority, it still lingers in the public mind, and lies at the root of most of the current middle-class objections to Trade Unionism.

The theory went much further than the mere negativing of strikes and combinations. It left no room for any elevation of the wage-earners even if the improvement justified itself by an increase in productive capacity. If one section of the wage-earners succeeded, by peaceful negotiation or law, in so bettering their own conditions of employment as positively to increase their productive efficiency, this would still bring no greater reward to the class as a whole. Though the increase in the cost of their labor might soon be made up to their employers by its greater product, yet this increased drain on the wage-fund must automatically have depressed the condition, and so lowered the efficiency of other sections, with the result that, though the inequality between the sections would have increased, the aggregate efficiency of the wage-earners as a whole would not have risen. Thus every factory act, which increased the immediate cost of woman or child labor, had to be paid for by a contemporaneous decrease in somebody's wages; and every time a new expense for sanitation or precautions against accidents was imposed on the capitalists, some of the wage-earners had automatically to suffer a diminution of income.

And when the Trade Unionists turned from the question of wages to-day, to the possibility of raising them in the following year, middle-class opinion had a no less conclusive answer to their claim. The future wage-fund that would be applicable for the payment of laborers in the ensuing year was, of course, necessarily limited by the available possessions of the community. But within that limit its amount depended on the will of the owners. They might, if they chose, consume any part of it for their own enjoyment, or they might be tempted to abstain from this consumption, and employ a larger or smaller proportion of their total possessions in productive industry. Ricardo had incidentally observed that the "motive for accumulation will diminish with every diminution of profit," and it was assumed without hesitation that, whatever might be the various motives for saving, these motives would be stimulated or depressed according to the rate of interest which might be expected to be gained from the capital so invested. "The higher the rate of profit in any community, the greater will be the proportion of the annual savings which is added to capital, and the greater will be the inducement to save." It thus

followed that the rate at which capital, and therefore the wage-fund, would be increased would vary according to profit, rising when the rate of profit rose, and falling when the rate of profit fell. "The greater the proportion of wages to profits the smaller the tendency to national accumulation."

Any rise of wages could, therefore, only be temporary, and must quickly counteract itself, for "an increase in wages reduces the profits, and reduces the inducement to save and extend business, and this again tends to a reduction of wages." Cairnes, in an unguarded moment, went even further. "Profits," he said, "are already at or within a hand's breadth of the minimum . . . . below which, if the return on capital fall, accumulation, at least for the purpose of investment, will cease for want of adequate inducement." This automatic check on the wage-earners' pretensions applies, it is clear, to more than the money wages. If by means of a Factory Act they had secured for the future shorter hours or better sanitation, this prospect of a reduction of profits would instantly limit the capitalists' desire to accumulate, and would induce them as a class to spend more of their incomes on personal enjoyment. "There is only a certain produce," wrote one widely read critic of Trade Unionism, "to be divided between capitalist and laborer. If more be given to the laborer than nature awards, a smaller amount will remain for the capitalist; the spirit of accumulation will be checked; less will be devoted to productive purposes; the wage-fund will dwindle, and the wage of the laborer will inevitably fall. For a time, indeed, a natural influence may be dammed back; but only to act, ultimately, with accumulated force. In the long run, God's laws will overwhelm all human obstructions."

But enlightened public opinion had yet another argument to adduce, one which cut at the root, not of Trade Unionism only, but of all genuine improvement of the condition of the present generation of laborers, even if the capitalists actually desired to share their own profits with them. This was the celebrated "principle of population." Malthus had proved that human fecundity was, as a matter of fact, far in excess of the actual increase of population, and that the numbers of mankind were kept down by the positive checks of vice and misery, notably by the privations and hardships suffered by the poor. It was the part of wisdom to substitute, for these positive checks, that prudential restraint which delayed marriage or forewent parentage, and the only hope for the laborers lay in a great extension of this prudential restraint, so that the ratio of capital to wage-earners might increase. This hope was at best a faint one, because the prudential

restraint would have to extend to the whole wage-earning class, and would have to be maintained with ever-increasing rigor, as the resulting fall in the rate of profit slackened the rate of accumulation. And whatever degree of prudence might animate the wage-earning class at any particular time, it was taken for granted that the rate of increase must habitually rise when wages increased, and fall when wages were reduced. "Thus, if combination were for a time to raise wages, the growth of the wage-fund would be unnaturally retarded, whilst a fictitious stimulus would be given to population by the momentary enrichment of the laboring class. A diminished demand for labor would coincide with an increased supply. The laborer's wages would be forced down to starvation-point; and his last state would be worse than his first." The ratio of population to capital was, indeed, effectively defended on both sides from any but transitory alteration. If capital fell behind population, wages fell, but this very fall automatically brought about a quickening of accumulation and a slackening of the increase of population. If population fell behind capital, wages rose, but this very rise caused a check to accumulation and a stimulus to the increase of population.

With so complete a demonstration of the impossibility of "artificially" raising wages, it is not suprising that public opinion, from 1825 down to about 1875, condemned impartially all the methods and all the regulations of Trade Unionism. To the ordinary middle-class man it seemed logically indisputable that the way of the Trade Unionists was blocked in all directions. "The margin for the possible improvement of [the wage-earners'] lot," emphatically declared Cairnes in 1874, "is confined within narrow barriers which cannot be passed, and the problem of their elevation is hopeless. *As a body they will not rise at all.* A few, more energetic or more fortunate than the rest, will from time to time escape, as they do now, from the ranks of their fellows to the higher walks of industrial life, but the great majority will remain substantially where they are. *The remuneration of labor as such, skilled or unskilled, can never rise much above its present level.*"

4. THE RESIDUAL CLAIMANT THEORY (WALKER, 1887)[1]

In the theory of distribution here proposed, wages *equal* the product of industry *minus* the three parts already determined in their nature and amount. In this view, the laboring class receive all they

[1] Adapted with permission from Francis A. Walker, *Political Economy*, pp. 248–54. (Henry Holt & Co., 1887.)

help to produce, subject to deduction on the three several accounts mentioned.

First, rent is to be deducted. On the lowest grade of lands there is no rent. On the more productive soils rent, at its economic maximum, equals the excess of produce after the cost of cultivating the no-rent soils has been paid. This rent does not affect the price of agricultural produce, and does not come out of the remuneration of the agricultural laborer.

We thus see that the first deduction to be made from the product of industry is of a perfectly definite nature, and that, on the assumption of active competition on both sides, the amount of that reduction is susceptible of arithmetical computation. Rent must come out before the question of wages is considered. The laborer cannot get it, or any part of it, by any economic means. It must go to the land-owner, unless it be confiscated by the State, or ravished away by violence.

Secondly, from the product of industry must be deducted a remuneration for the use of capital. That remuneration must be high enough to induce those who have produced wealth to save it and store it up, in the place of consuming it immediately for the gratification of personal appetites or tastes. This may imply, in one state of society, an annual rate of interest of 8 per cent; in another, of 5; in another, of 6.

The third and last deduction to be made from the product of industry before the laborer becomes entitled thereto, is what we have called profits, the remuneration of the entrepreneur, the employer, the man of business, the captain of industry, who sets in motion the complicated machinery of modern production. These three shares being cut off the product of industry, the whole remaining body of wealth, daily or annually created, is the property of the laboring class; their wages, or the remuneration of their services. So far as, by their energy in work, their economy in the use of materials, or their care in dealing with the finished product, the value of that product is increased, that increase goes to them by purely natural laws, provided only competition be full and free. Every invention in mechanics, every discovery in the chemical art, no matter by whom made, inures directly and immediately to their benefit, except so far as a limited monopoly may be created by law, for the encouragement of invention and discovery.

Unless by their own neglect of their own interests, or through inequitable laws, or social customs having the force of law, no other party can enter to make any claim on the product of industry, nor

can any one of the three parties already indicated carry away anything in excess of its normal share, as hereinbefore defined.

I have spoken of the laborer as the residual claimant upon the product of industry. That view of wages being new, even the phrase in which I have embodied it has been excepted to. Since the first edition of this treatise was published, certain writers have declared that there is no more reason for applying the term, residual, to wages than for applying it to any other share of the product of industry; that each share, in turn, comprises all which the other shares do not include.

Upon the theory of profits which has been expounded, the remuneration of labor, wages, is strictly the residual share of the product of industry, residual in this sense, that it is enhanced by every cause, whatever that may be, which increases the product of industry without giving to any one of the other three parties to production a claim to an increased remuneration, under the operation of the principles already stated; residual in the sense that, even if any one or all of the other parties to production become so engaged in any given increase of the product as to become entitled to an enhanced share in its distribution, their shares still remain subject to determination by positive reasons, while wages receive the benefit of all that is left over after the other claimants are satisfied.

Granting the correctness of the analysis we have offered, it is demonstrable that the product of industry may be increased without enhancing the share of all or of any of the other parties to distribution; and, even when the other shares are enhanced, it is possible and even probable that, on the assumption of perfect competition, the increase of product resulting from the introduction of any new force into industry will be greater than the sum of the increments by which rent, interest, and profits shall have been enhanced. If this be so, then the wages class will receive a benefit from any increase of the product of industry corresponding to that derived by the residuary legatee whenever the total value of the estate concerned is ascertained to have been, or from some unanticipated cause becomes, larger than was in contemplation of the testator when the amounts of the several specific bequests were determined upon.

5. THE MARGINAL PRODUCTIVITY THEORY[1]

The problem of distribution of wealth is the problem of dividing the products of the industry of the community among the various classes. The claim of each class to a share of the wealth is usually

[1] Adapted with permission from Thomas N. Carver, *Principles of Political Economy*, pp. 365–99. (Ginn and Company, 1919.)

based upon the claim that each has contributed something to its production. The market value of what each has to offer determines his share in the product. If the market value of labor is high, the laborer gets a large share; if it is low, he gets a small share. The reason for paying for an agent of production is that it helps to produce something which is desirable. Its value is derived from that of its product. It is therefore of the utmost importance that we find out, if such a thing is possible, how to determine the contribution of each factor.

We have seen the necessity of a proper balance, not only among the factors of production but also among all the factors of national life. But some variation among the factors of production must always be allowed. A number of factors of production, when used in combination, are not like the elements in a chemical reaction or the colors in a picture. These probably permit of no variation. The factors of production may always be combined in different proportions without destroying the result. Which is the more economical combination will depend upon the relative cost of land and labor.

In a chemical combination the various elements have to be combined, apparently, in fixed proportions, without any variation whatever. This is known as the law of definite proportions. But in order to induce a given chemical combination, different substances have sometimes to be mixed in considerable masses. This gives rise to another law, which is as definite and as well understood as the law of definite proportions.

Take, for example, the manufacture of ether from alcohol and acids. With a given quantity of alcohol let us mix varying quantities of acid, which we shall represent on the line *OX* (Diagram I). The quantity of the product, ether, we shall represent on the line *OY*. When a quantity of acid represented by the line *OC* is put into the mixture, let us assume that we get a quantity of ether represented by the rectangle *OABC*. Twice that quantity of acid with the same quantity of alcohol will increase the product, ether, but will not double it. That is, the product increases but does not increase in proportion to the acid. Let us suppose that a quantity of acid represented by the line *OF* produces, with the other ingredients, a quantity of ether represented by the rectangle *ODEF*. A third increment and a fourth would still result in some additions to the product, as long, perhaps, as any of the original quantity of alcohol was able to escape the mass action of the acid. Eventually the point would be reached when further increases of the acid would add nothing to the product.

It will be observed, however, that the addition of the increment *CF* to the acid did not add the rectangle *CIEF* to the product. The addition to the product is the difference between the rectangle *OABC* and the rectangle *ODEF*. That difference is represented by the rectangle *CGHF*.

This is technically known as the marginal product of the acid. This technical term does not mean, however, that even the product *CGHF* was produced by the acid alone; it merely means that whatever value there is in the added product *CGHF* would be the outside limit of the value of the added ingredient *CF*.

The marginal productivity of each factor in the combination is, it will be observed, the complement of that of the other factor. When the proportions are such that the marginal productivity of one is nil,

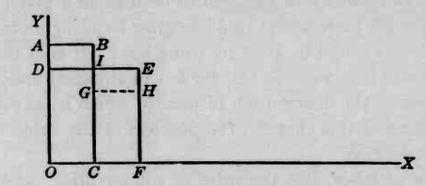

Diagram I

that of the other is 100 per cent of the average product; that is, the total product increases in exact proportions as this factor is increased. When the proportions are such that the marginal product of one factor is low, that of the other is high, the sum of the two marginal products are always equaling the total product.

When there are more than two factors in the compound, the problem becomes more complicated, but the principle is the same. In such a case it is better to treat each one separately, regarding all the others as a bunch, or cluster, and thus treating them as one. Marshall has suggested the word *dose* to designate a group of factors. Thus, if we were considering nitrogen, phosphorus, potassium, and all other factors in soil fertility, we could take all the factors except, say, nitrogen and treat them as constants. By varying the nitrogen in the compound, we get variations in the crop yields. [This same analysis may be applied to any of the factors of production.]

It must be apparent that the relation between the variation in the quantity of any factor in the combination and the variation in the product must have a great deal to do with determining the value of

the factor. This method gives the key to all correct valuation. The term *marginal productivity* has been applied to the variation in the product which followed a minute variation in the quantity of any factor in the combination. Objection has occasionally been raised to the use of the word "product" in this sense. It is contended that even these increments of product are not in any sense the exclusive product of the forty-three pounds of nitrogen which were added in order to get that increment—that forty-three pounds of nitrogen, alone and unrelated to the other factors, would not produce even the small increments of wheat indicated in the third columns. No one, of course, claims that they would or could. It is not worth while to discuss this or that possible meaning of the word *product* or *productivity*. The essential thing to consider is, How much could a farmer afford to pay for a given quantity of nitrogen to be used in a given combination? How much more wheat could he grow by using more nitrogen, or how much less would he grow by using less? It is in the answers to such questions that we must find the key to any clear understanding of the problem of the distribution of wealth, which is, as pointed out in the beginning of this chapter, the problem of the valuation of the factors of production.

The price of labor, like the price of commodities, depends upon how much it is desired in comparison with other things. We must remember that the important question is not labor in general, nor how great would be the loss if all labor were wiped out of existence. The question is, How intense is the need for a given number of units of a given kind of labor, or how great would be the loss if that given number of units were subtracted from the total supply?

The function of a high price, in the economy of the nation, is to call into existence a larger supply of the thing for which it is offered. The function of a low price is to discourage the production and reduce the supply of the thing for which it is offered. In the case of labor, as in the case of commodities, the community may be sadly mistaken. It may fail to appreciate real merit, and it may greatly overrate certain qualities in either case. There is no going behind the returns in a verdict of this kind any more than in a popular election.

We are sometimes told that most goods are socially produced. This is a rather impressionistic statement; it may do no harm, but it is liable to misinterpretation. It would be better to say that most goods are produced by the joint efforts of several persons. The total reward which can go to all of them cannot in the long run exceed

the total value of the finished product. This must be divided among all those who have participated in its production.

The great social problem of today, so far as it relates to the distribution of wealth, is the problem of distributing the price of the product among the contemporaneous workers. Not much headway can ever be made in the study of this problem unless we hold carefully in mind the law of variable proportions as previously explained. When it is suggested, for example, that each factor of production should be paid for in proportion to its contribution to the product, any student who does not understand the law of variable proportions is likely to say that there is no way of finding out what each factor contributes. He will say, for example, that it is like trying to find out how much of the welding is done by the anvil and how much by the hammer, or how much of the cutting by the upper and how much by the lower blade of the scissors. To use this comparison is to show that one does not understand the problem. If one blade of the scissors were a little longer than the other, it would not require any so-called metaphysical or theoretical reasoning to see that the scissors might be improved by lengthening the shorter blade. The workman who would lengthen the shorter blade would add somewhat more to the cutting power of the scissors than the workman who would lengthen the longer blade.

It simplifies the problem somewhat to classify those who take part in the contemporaneous division of labor according to the functions which they are supposed to perform. It is customary to divide them into four main classes. The first class is made up of the laborers, who work either with their hands or with their heads, and receive their share in the form of wages or salaries (for the sake of simplicity, salaries are, in this chapter, included under wages); the second class is made up of the land-owners, who furnish the land and receive rent; the third class is made up of the capitalists, who supply the capital and receive a reward in the form of interest; and the fourth class is made up of the independent business men, who undertake to assemble all the other factors, who take the chief risks of the enterprise, and receive whatever is left over after all the others are paid, and call it profits. We are here concerned with the income which pays for the function of the laborer. Wages are the price which is paid to call forth the necessary quantity of productive labor.

We may say in general that when one factor of production is oversupplied in proportion to the others which need to be combined with

it, the question of getting more of it, or even of maintaining the existing supply, becomes unimportant. But when any factor is undersupplied in proportion to the others which have to be combined with it, the question of getting more of it, or of holding the existing supply, becomes very important. Accordingly, a high price will be offered for it.

This principle applies not simply to land, labor, and capital, but to the different kinds of each. If there is a scarcity of skilled labor in proportion to the unskilled labor which has to be combined with it, it becomes very important to get more skilled labor, or at least to keep some of the existing supply from going elsewhere. In that case a high wage will be offered for skilled labor. Under the same conditions there is, of course, a large supply of unskilled labor in proportion to the skilled. Not much is likely to be paid, under such conditions, for unskilled labor.

The next question is, What determines the relative supply of the various factors of production?

Let us consider, first, the causes of the difference of wages in different occupations. If, in order to get efficient production, it is found necessary to have a high degree of specialization, many different kinds of skill will be found in the same establishment, each kind contributing its share towards the production of the same product. Men possessing these different kinds of skill will be needed in slightly variable, but fairly definite proportions. In the production of cloth, for example, spinners and weavers will be needed in fairly definite proportions. If by any accident it could happen that for a period of time there were more spinners than were necessary to supply yarn for the weavers, the value of each spinner would be considerably reduced. Under these conditions, if they could exist, it would be literally true that a few less spinners would be little loss, provided the remaining spinners could still supply all the yarn the weavers could use. On the other hand, the labor of each weaver would be of considerable value.

Since there would not be weavers enough to use all the yarns that could be produced, one less weaver would reduce the total production of cloth, and one more weaver would add to the total production, assuming that machinery and room were available. Under these conditions there would grow up in any free community a difference in wages in favor of the weavers and against the spinners. This would be called the law of supply and demand, but this law rests

back on certain fundamental advantages and disadvantages. The addition to the total output of cloth which would result from an increase in the number of weavers would really result from an equal increase in the number of spinners. This would be sufficient reason why a higher price should be offered for the labor of weavers than for that of spinners. In the absence of compulsion, that would be the only way of attracting more weavers and fewer spinners.

Of course this condition would soon correct itself. If the wages of the weavers were allowed to go up and the wages of the spinners to go down, some of the spinners would have an excellent reason for changing their occupation. If they could not easily do so, the oncoming generation of laborers, who have to choose between the occupation of weaver and that of spinner, would be attracted into the one where the wages were higher, and thus restore the equilibrium. There is, therefore, a genuine social utility to be achieved by the difference of wages which would grow up under the law of supply and demand. This will be found to be the fundamental reason why wages are as a matter of fact higher in some occupations than in others. Where the ordinary processes of bargaining are not interfered with, wages tend to be high in those occupations where more men are needed, and needed badly, and low in those occupations where more men are not needed, or not needed badly. The function of these differences of wages is to restore the equilibrium between different occupations.

The discussion may be summarized as follows:

1. The wages of any person will depend upon how much his labor is desired. The wages of any class will depend upon how important it is thought to be that there should be more laborers of that class, or that there should not be any less. High wages indicate a strong desire and low wages indicate a weak desire to have more of a certain kind of work done.

2. Different kinds of labor usually have to be combined in fairly definite but somewhat variable proportions. If there happens to be more of a certain kind than will combine satisfactorily with the existing supply of the other necessary kinds, the oversupplied kind will not be strongly desired. There will be no great need for more of it, and therefore no strong reason for paying high wages. The kind of labor, however, which is undersupplied will be much more needed. There will be a strong reason for desiring more of it, and the only way, in a free society, to get more of it is to offer high wages.

3. Labor which requires a kind of skill that is difficult to acquire will usually be scarce, relatively to the need for it. Wages must be high enough to induce men to make the necessary effort in order to fit themselves for the work.

4. Unskilled labor is usually abundant, being limited only by the disinclination to work and the standard of living or the cost of bringing up children. Where the cost is high, or the unwillingness great, wages must be high enough to induce men to marry and bring up children. When the cost is low and there is very little unwillingness to overcome, wages may be low because men will bring up children on very low wages and thus keep the supply of labor intact.

6. SOME ASSUMPTIONS OF THE PRODUCTIVITY THEORY[1]

The productivity theory seems to rely too much on the effectiveness of competition. It assumes too much in assuming, as it does, that employers *will* pay what they *can* pay. They *can* pay the worker the value of what the worker contributes to production; they need not do so unless the competition among employers for labor is at least as strong as the competition among workers for employment. Now although there are usually employers wanting labor as well as workers wanting employment, there are usually more workers wanting employment than workers wanted by employers. The exponents of the theory argue that the competition among employers must be the keener for three reasons: they have buildings and plant which earn them nothing if they cannot get labor; they have a "connection" in their market which they run the risk of losing by any stoppage; and they are always anxious to increase their output in order to avail themselves of the decreased cost of production which is usually possible with a larger output; to these may be added the even more important consideration that the employer *can* make profits by successful anticipation of the needs of the consumer as well as by capable organizing work, without paying the laborer any less than the discounted value of his product. Against these considerations must be set the fact that the laborer risks more than the employer if they cannot come to terms; the employer risks loss of profits, the laborer risks starvation and the starvation of his wife and children, or alternatively, the degradation of the Poor House; if the employer risks having his plant standing

[1] Adapted with permission from Henry Clay, *Economics for the General Reader*, pp. 298–301. (The Macmillan Co., 1919.)

idle, the laborer risks having to break up his home, leave the town he is attached to, and seek employment in a new district. On both sides the risk of loss is so great that the parties usually come to terms with surprisingly few disputes; and the connection between any individual employer and any individual workman is in most trades one which can be broken only with loss to both, since a workman who has been some time in a shop is worth more to his employer than a new man would be or than he would be in another shop.

Although the employer can make profits while giving full productivity value for labor, it is a characteristic of business that a man takes what he can get, and an employer would be merely unbusinesslike who did not take advantage of the laborer's weakness as a bargainer; fortunately some business men are unbusinesslike. Moreover the "productivity" of the laborer depends, more than on anything else, on the employer's powers of organization. Slack organization on the part of the employers in a district will make the labor of the district less productive than labor of the same skill and the same intensity in districts where employers do their organizing work better. To say in such a case that wages are low because the productivity of labor is low may be true, but it is to suggest that the workman is to blame when really the employer is at fault. Where this is the case, the workers, by insisting on higher wages, may increase their productivity without in the least increasing their labors; for the productivity of a given amount of labor will be increased when the employer abolishes waste, removes disorganization, and supplies his workers with the best appliances.

The word "productivity" requires examination. The word usually means "output" measured by the yard, ton, or bushel. But when we say that wages depend on the productivity of labor, productivity is not equivalent to "output"; it means merely "productivity of market-value," which *may* correspond with output, but also may not. If a king dies suddenly there is a sudden increase in the value of mourning goods; the labor, of which these goods are a product, has become more "productive," although the skill and exertions of the laborer, and the number of yards of cloth he turns out, are precisely the same as they were before. This distinction is often forgotten, and the productivity theory of distribution comes to be used (unconsciously perhaps) as a justification of the present unequal distribution of the national income. Each, it seems to show, gets what he produces; what could be fairer? It is forgotten that the market-value by which this productivity is measured bears no constant relation to social

service. The theory is true (if at all) only if we give "productivity" its second meaning, "productivity of value," the theory justifies the present distribution (if at all) only if it has its first meaning, "output." In the only sense of the word "productivity" in which the productivity theory of distribution is true, the man who receives $25 a week for looking after Pekinese puppies for an American heiress is four times as "productive" as the farm-labourer receiving $25 a month; the services of the two to society do not bear the same relation.

To avoid the ambiguity of the word "productivity," the commoner word "efficiency" is sometimes substituted, and wages are said to depend on efficiency. But the new word is not free from ambiguity itself; efficiency will help to explain differences in wages in the *same* occupation, since such differences will be reflected in output, but it will not explain differences in wages in *different* occupations. We have no common measure of efficiency in different occupations except the wages paid, so that to use efficiency to explain the wages is to beg the question. The low-wage worker may be just as efficient *at his work* as the high-wage worker at his, and the low-wage work may be equally indispensable to society; while it may be true that the low-wage worker could not do the high-wage worker's work, it may be equally true that the high-wage worker could not do the low-wage work; a joiner could not (without a fresh industrial training) tend a spinning mule, but neither could a spinner (without a fresh industrial training) frame a roof. Yet another principle of wages has been offered in "Economic Worth." Economic Worth, however, turns out on examination to be merely a misleading synonym for productivity of market value—misleading because the plain man always associates with the word "worth" the idea of moral desert, so that the statement that distribution is in accordance with "economic worth" inevitably carries with it the suggestion that the poor are poor because they are bad and the rich are rich because they are good.

B. Standards of Wage Adjustment

7. THE QUESTION OF EQUITY IN ECONOMIC REMUNERATION[1]

There is one important cause which we find at the bottom of almost every dispute, however inflamed by the "trivial" causes, and this is the profound belief, which seems implanted by Nature in the mind of

[1] Adapted with permission from Edwin Cannan, *The Economic Outlook*, 1912, pp. 299–312. (Reissue by P. S. King and Son, London.)

almost everyone, that his income "ought" to be, that is to say, would be, if justice prevailed, somewhat bigger—about 25 per cent, is the average—than it actually is. It is quite a mistake to suppose that the belief is confined to persons in receipt of wages and salaries: It is held just as strongly by those whose income is obtained by way of business profits or by way of interest or rent from investments and property—and that, too, whether the investments and property have been the result of the saving of the owner or have been given or bequeathed to him.

The universality of the belief ought to awaken doubts about its soundness. It is clear that there is not enough at present to allow of the distribution of 25 per cent or even 1 per cent more than people actually get. Somebody or other gets every particle that is produced. Everyone, then, cannot be right in thinking that justice demands that his income should be immediately raised about 25 per cent. This will be generally admitted: the trouble is that each person thinks he and his own class are right and that it is the other classes who are wrong, in the belief that their incomes "ought" to be about 25 per cent higher than they are. It seems worth while to inquire what our ideas of justice in the distribution of what is produced really amount to.

"It may be true," someone may say, "that with regard to property, our current ideas of justice do not amount to more than a certain amount of reverence for custom, but surely you must admit that we have much more positive beliefs about the just remuneration of labour." One tolerably clear idea we certainly have—the idea that when two persons do the same kind, the same quantity, and the same quality of work in the same place and at the same time they "ought" to receive the same remuneration. Though all these conditions are scarcely ever exactly fulfilled, they are often approximately fulfilled, so that this rule of justice plays a large part in many wage discussions. But the greater inequalities of earnings are between different kinds of work, and then the rule is of no use whatever.

There appears to be a very general acquiescence in the general features of the scale in which different kinds of labour are graded. We find people generally demanding a small increase in remuneration for their own class and imagining they would be perfectly contented if they got it. They do not think that justice demands that they should be raised to a very much higher level in the general scale: scavengers, for example, may ask for a rise from 24*s*. to 30*s*. a week, and may

even think they "ought" to have 35*s*., but they never think of claiming that they "ought" to be paid as much as is earned by the average medical practitioner. Still less do they see anything much wrong with the scale so far as it does not affect themselves. We should all like to touch up the scale here and there, but none of us seem to want to alter it fundamentally. If, then, we allege that there is some "just" remuneration of labour which labour "ought" to get, we are bound to find some defense of the existing scale of remuneration on grounds of justice.

No such defense, however, can be found, any more than in the case of the inequalities of income derived from inherited property. Several rather stupid suggestions are made by the man in the street. One is that "skill" is a thing which "ought" to be paid for, so that it is "just" that the professions and skilled trades should be higher paid than the other occupations. But why the skill which is possessed by an average member of one of the professions or skilled trades "ought" to yield more or less than the skill possessed by the average member of another of these occupations or more than that possessed by the average member of a so-called "unskilled" occupation, nobody seems to know. There is no way of comparing the skill required in different occupations. If we could compare it, we should still be met with the fact that the skill is either natural or acquired: if it is natural, we know of no reason for supposing that the happy possessor ought to be paid higher, and if it is acquired, it was probably acquired chiefly in consequence of opportunities created by persons other than the possessor himself.

What the existing scale of remuneration for different kinds of labour does is to give each kind its market value, and this value is obviously settled by a great many influences, among which justice plays no part at all. Attempts to tinker it here and there on the ground that particular small features in it are unjust, and that justice would be done if this or that class had 10 or 20 per cent more than at present are really childish.

While a clear appreciation of this fact should take away a good deal of the bitterness which at present accompanies the necessary haggling between employers and employed, it certainly does not follow from it that no class of men or women should ask for more than they are getting, nor that disinterested persons should not be glad when some of the demands made are successful.

The first point surely requires little elaboration. The whole of our present economic organisation is really dependent on people

asking for as much as they can get, and the world would be thrown into a state of unimaginable confusion if they suddenly ceased to do so and began deliberately to let their property for less and to work for less than they could get. Mr. Wells himself could not make much of such a hypothesis. No one doubts that an individual is acting in the public interest as well as in his own when he sells his services to the highest bidder.

As to the second point, many persons seem to imagine that if there is no rule of justice in the remuneration of different kinds of labour, it is impossible for them to have sympathies in regard to any change in wages which does not affect them personally. Like Queen Victoria, they want to be told what is right, not what is expedient. But there are surely many things which we properly welcome, and many which we properly deplore, although no question of justice or righteousness is concerned. We ought obviously to rejoice, as a rule, at the occurrence of any event which increases the material welfare of any class without reducing that of other classes, and, of course, it often happens that a rise of earnings is merely the result of some change which causes the workers to produce a larger quantity of product than before without reducing the value of the unit of quantity sufficiently to prevent them profiting by the increase. But it is perhaps not quite so clear what we ought to welcome and what we ought to deplore when a rise of earnings in some particular occupation is not the result of increased productiveness, but is distinctly at the expense of some other class or classes of the community.

The popular belief—not, I think, only among the weekly wage-earners but among all classes—is that rises of wages in particular occupations are always at the expense of the owners of property, vaguely called "the capitalist" in popular oratory. But this belief will not bear a moment's examination. The particular "capitalists" from whom the wages of particular kinds of labour come in the first instance are usually merely middlemen between the workers and the consumers: if the price paid by the capitalists to the workers increases, the capitalists will be able at once or after no long interval to charge the increase to the consumers. Wages are not ultimately paid by the capitalist, but by the persons who want and are able to pay for the product of the particular labour in question. Of course, there are a few products which are only bought by rich people, and rich people are mostly owners of property. But this is not the ordinary case. In spite of the enormous wealth of the very rich, the greater part of the demand for products in general comes from the moderately

well-to-do and the poor, and a very large proportion comes from the "working classes" in the ordinary sense of that term. Consequently it is inevitable that when particular workers get more without producing more, the burden should fall largely, and sometimes chiefly, upon wage-earners doing other kinds of work.

It would be absurd, then, even for one whose sympathies were altogether on the side of the workers against the owners of property to sympathise indiscriminately and equally with every demand for increased wages. Wage questions are constantly questions about the relative remuneration of different kinds of labour, and before we can tell what we ought to welcome and what to deplore we must have some notion of the scale of relative remuneration which we approve.

It follows that the changes in the remuneration of labour which we should welcome because they are economical are those which, without injuriously affecting production, reduce inequality of wealth. Of course, it may sometimes happen that an increase of earnings which are already high may do this because the particular demand comes entirely from the rich: a rise in the remuneration of butlers and ladies' maids, for example, would pinch nobody but the wealthy, while benefiting a class with only moderate means. But such cases do not amount to much. The really potent changes of the character desired will be those which raise the remuneration of the worst paid occupations.

It will perhaps be said that every reasonable person knows that a rise in the lowest wage is a good thing, and that every well-disposed person welcomes it accordingly. But do they do so without reservation "if the rise is not at the expense of some other class?" Some such reservation is implied in the phrase "the economy of high wages" as the name of the doctrine which teaches not that high wages are a good in themselves, but that they enable and induce the wage-earner to produce so much more than the ultimate payers of the wages gain. If what I have said were really accepted, this reservation would not be made.

8. THE WAR-TIME SEARCH FOR "STANDARDS"[1]

In the widespread attempts to fix wages (during the war), the truism was borne home to many adjusters that in the last analysis there are no standards by which scientifically to determine the amounts of compensation to which different members of the community are by right entitled. Furthermore, not only are scientific standards for wage determination completely lacking, but the problems which the wage adjuster faces, especially during a time of emergency such as war, can seldom be solved in a purely judicial manner. This, because his primary task during war-time is less to do absolute justice than to keep production going. He is therefore forced to take into account—consciously or unconsciously—all of the surrounding circumstances—the temper, character and power of each side.

[1] Adapted with permission from A. M. Bing, *War-Time Strikes and Their Adjustment*, pp. 188–207. (E. P. Dutton & Co., 1921.)

A study of the work of the adjustment boards will show the following considerations to have been the most potent in influencing their decisions: (*a*) a minimum living wage; (*b*) increases in the cost of living; (*c*) standardization, both within a given industry and over a given territory; (*d*) increase in productive efficiency; (*e*) the effect of overtime in increasing weekly earnings. Yet in spite of the fact that these principles were the determining ones in the work of practically all of the boards, nevertheless there was no common agreement as to the manner in which they should be applied or the emphasis that should be placed upon one rather than another.

The minimum wage.—The one principle which stands out most prominently and on which, in theory at least, there was general agreement (though much difference in emphasis and practice) was the desirability of the payment to all workers of at least a minimum living wage.

One of the first statements of this principle is contained in General Order Number 13 of the Ordnance Department, to wit: "It is necessary that minimum wage rates bear a constant relation to increases in the cost of living." A much more definite statement was later enunciated in the principles of the National War Labor Board as follows: "The right of all workers, including common laborers, to a living wage is hereby declared. . . . . In fixing wages, minimum rates of pay shall be established which will insure the subsistence of the worker and his family in health and reasonable comfort."

Increases in the cost of living.—By far the most important question which was presented to every wage adjuster was the extent of the increase in the cost of living. It was generally felt by both employer and employee that although not necessarily the determining factor, yet the percentage by which living costs had increased had always to be given the fullest consideration before a wage award was made. And there were very few hearings at which evidence was not offered on this question. It was soon realized by most boards that no decision

could be regarded as permanent and after a while the principle was adopted of setting six months as the period for the duration of an award. At the expiration of this time the award was to be reopened if a change in conditions rendered it necessary.

Standardization.—One of the most definitely marked economic phenomena of the war was the tendency manifested throughout all industry towards uniformity in wage rates. A leveling process was taking place, as a result of which wage differences, between skilled and unskilled, union and non-union labor and between the workers in one part of the community and another, became very much reduced as compared with what they had been before the war. This was the natural result of general industrial conditions as well as the more or less artificial result of the action of the Government boards.

The natural processes making for standardization were accelerated and deepened by the more or less artificial action of the various wage adjustment agencies. Since production was the primary concern of the Government, efficiency demanded that men be prevented from shifting from one place or industry to another where such change was unnecessary, and that such transfers be facilitated where they were imperative. Wage uniformity was needed to produce both of these results. It also tended to remove the dissatisfaction which men of a particular trade or locality would naturally have felt because of higher wages paid to others. A further consideration was the conclusion reached by all of the boards that one of the reasons which had always been given for wage differentials—the difference in the cost of living in different localities—was no longer applicable to any appreciable degree. There was therefore an almost universal tendency on the part of adjustment boards to apply uniform wage scales over wider and wider areas. Thus the Shipping Board, whose first awards were for single yards and then for districts, ended by setting up practically uniform rates for the entire country.

Increase in productive efficiency.—Inasmuch as production was the paramount object of war-time wage adjustments we might have expected that the effect of any wage increases on the efficiency of the workers would have received most careful consideration. Except, however, in relation to the minimum wage, the principle of productive efficiency does not seem to have been given as much attention by the wage boards as were the other principles examined above.

A reason for this fact may have been the difficulty of determining just what was the effect of a wage increase upon efficiency and production. Another reason was the fact that the power of the men to enforce their demands made wage increases necessary irrespective of their effect upon the efficiency of the workers.

Overtime.—In normal times overtime is not worked except in emergencies. But during the war it became in most industries a regular practice. As a result weekly earnings were increased by amounts varying from 40 to 100 or more per cent. It was psychologically impossible to ignore a factor which so potently influenced the actual earnings of the men. Consciously or unconsciously these large amounts of pay due to overtime were taken into consideration and wages were fixed at rates lower than would otherwise have been the case.

9. THE IRRATIONAL NATURE OF WAGE DIFFERENTIALS[1]

The industrial world is full of wage differentials between workers; but many of them are of the most illogical character. These differentials are based on historical accidents, on the relative skill of different groups of men in gaining increases and on unessential peculiarities of place and practice. During the war, some of the great wage boards established uniform rates for men from the Atlantic to the Pacific and from the Great Lakes to the Gulf of Mexico (barring colored labor in certain parts of the south) and set up identical rates in all this area for skilled men in a great variety of trades. These awards wiped out a host of old differentials. Sometimes they fitted imperfectly and caused embarrassment. But on the whole they worked. Since the War, the reversion to the old principle of special wage fixing in each place has brought about a certain measure of diversity. But as long as the war-time idea of national standards was adhered to there was nothing inherently impractical about the system. National standards may be too high or too low or wrongly drawn up, but it has been demonstrated that if we want them they can be made to work.

There are good human and industrial reasons for believing that under a truly fair and logical system of remuneration devoid of accidents, the pay, the worth, of most persons would be not far from uniform. When it comes to creative work, when it comes to very special peculiarities, persons differ enormously; so that one man

[1] Taken with permission from Horace B. Drury, "The Importance of Self-Help," in *Annals of the American Academy*, pp. 73–74. (March, 1922.)

might well be worth a thousand others. How many workmen would it take to fill the place of Newton or Lincoln, or, perhaps, of some of the real makers of modern industry? But in proportion as industry becomes standardized on the basis of the best practice, in proportion as there is education, transference of skill, and the spread over great areas of each new thing that someone discovers, the great majority of people are put at work carrying out measures thought out by others. Real ingenuity becomes more valuable than ever; but nine-tenths and more of the actual work of the world becomes routine. Now at routine work people are potentially not so far from equal. There may be many occupations that not everyone could fill; but as long as there are many more people who could fill these occupations—and would be glad to do so—than there are such positions to be filled, such distinctive callings have no special value under our system and draw no more remuneration than the other work of the world.

10. STANDARDS IN WAGE REVISION: THE "COST OF LIVING" AND THE WAGE CUTS OF 1920–21[1]

No one has yet found a principle of wage revision which is satisfactory for all time and for all places. And no one probably ever will. So for lack of acceptable principles, now workers and then employers cast about from occasion to occasion for convenient formulae which at the time seem best calculated to get them what they want. Throughout the history of wage negotiations in this country one wage "principle" after another has supplanted its predecessor because circumstances had in the meantime so changed that what was once potent seemed to have spent its strength. Accordingly, such pseudo-principles as maintenance of wage differentials, standard of living, cost of living, sliding scale, productive efficiency, each had its vogue, was discarded, and again revived, as it met or failed to meet the exigencies of particular situations. In view of these facts it is not surprising that in the period from 1915 to the present, "cost of living" should come into its own as the fundamental principle in wage adjustments—buttressed by all of the moral flavor which the word "principle" implies. For in the short time of four and one half years the cost of living in this country rose with such speed and

[1] Adapted with permission from Leo Wolman, "The Cost of Living and Wage Cuts," *New Republic* (July 27, 1921), 62–64. Although this article is addressed to a particular case, the argument has general application.

directness that in June and July of 1920, it was probably 110 per cent above its level in 1914. What more natural, then, than that the workingmen of the United States should seize upon this condition as the most obvious, effective and most popular reason for demanding necessary increases in their money wages?

Now the cost of living has this peculiarity—it does not always move in the same direction. In the summer of 1920 it turned in its tracks and began that spectacular downward movement, so interesting to statisticians, which left it in April, 1921, somewhere about 18 per cent below its 1920 peak and possibly about 70 per cent above its level in 1914. No sooner had it turned, however, than the shoe was on the other foot. The cost of living had now become the favorite principle of wage revision for the other party and it may be expected to remain so, until perhaps the time comes when it turns again.

It has been frequently stated by those who have participated actively in the contemporary epidemic of wage reductions, that it is their purpose to maintain the purchasing power of the incomes of workingmen at the level reached somewhere in the past—1918, 1917 or 1914. To accomplish this purpose, wages must be cut pari passu with each decline in the cost of living; otherwise the real incomes of the workers would rise and their standards improve. As if there existed in this country some generally accepted standard of living that workingmen should be permitted to approach but not to exceed! This, however, is precisely the point at issue in the great majority of wage disputes. The labor group contends that the standard of life which its members have acquired is too low and it proceeds to raise it either by forcing wages up or by resisting wage cuts when prices are falling. In many industries, indeed, even if wages are chosen at their peak, it would be difficult to prove that they were excessive with reference to any "reasonable" individual or family budget. Where this is the case, the use of the cost of living index as a corrective of money wages is not legitimate unless some agreement has been reached between employer and workmen concerning the standard on which changes in purchasing power are to be measured. If $1,800 were agreed upon as an adequate wage for a married man with three children when the cost of living was 100 per cent above the pre-war level, then there might be some reason for reducing his wages to $1,575 when the cost of living had dropped to 75 per cent above that level. But if $1,800 is found to be inadequate for the job of keeping a family in health and cheerfulness, then revision downward for the

same reasons has only relieved the industry of the necessity of supporting its workers.

Much of the confusion that in this connection surrounds discussions of the relations between cost of living and wages is probably due to the failure to recognize that many of the most striking increases in wages during the war and after the armistice were more apparent than real. Once we shift the discussions from percentage increases to absolute wages it is impossible not to see how it must get involved in misconceptions of a rather fundamental nature. For example: two women earn in 1914 $5 and $10 a week. Each gets a raise so that by 1920 both are earning $25 a week. The first woman has then received an increase of 400 per cent and the second of only 150 per cent.

The example may seem extreme, but cases of it may be found throughout most of our wage statistics of the war period. It must be quite evident, then, that high percentage increases in wages are not an evidence of excessive wages at the close of the period of increases. They are often an evidence of gross underpayment at its beginning. It is a simple arithmetical truth that it is easier to erect large percentage increases on a small number than on a large one.

In spite of all current talk about cost of living and standards of living, neither concept is, as a matter of fact, of prime importance in the present wave of wage reductions, which began last summer and which is still on. The real occasion for wage reductions has been the business depression. In the course of a business depression it is considered good business policy to cut all prices, including wages. Out of this condition grew the demand for wage reductions. The assumptions underlying this demand were that prices must fall, possibly to the pre-war level; that they could only be reduced if wages were cut; and more generally that it was somehow not quite right for labor to evade the liquidation in which most of the business community was participating.

Under normal conditions the liquidation of labor and wage reductions would probably have been accomplished with great ease. But the trade union movement in this country had gathered considerable strength in the past five years and the demand for wage cuts met with considerable resistance. It became necessary, therefore, not only to convince labor of the justice and legitimacy of a proposed reduction but also to build up a favorable public sentiment. For such purposes measures of changes in the cost of living served a useful

function, particularly in view of the fact that a not inconsiderable group of workmen had agreed during the rise in prices to adjust their wages with reference to index numbers of the cost of living.

Nevertheless, revisions of wages on the basis of changes in the cost of living are at best makeshifts. They help tide over a difficult period, but they neither answer nor seek to answer fundamental questions.

When the experience of this country with wage reductions has been finally studied, the reductions will in all likelihood be found to bear little relation to changes in the cost of living. Already some slight information on this matter is available. In one industry, for instance, wage increases for different firms ran all the way from 78.2 per cent to 177.0 per cent, a range of almost 100 per cent. This industry is one in which the advertised reductions were generally uniform. If the country as a whole were canvassed the range of reduction would probably be just as large. The meaning of this seems to be that wage reductions as they are now made, are determined, both with regard to occasion and extent, by the business man's judgment regarding the requirements of business. For making judgments of this sort and for estimating the needs of business, measures of movement of the cost of living appear to be largely irrelevant. Where, under these conditions, the cost of living is invoked, more fundamental issues become hidden; and more pertinent matters—like the capacity of industry to pay, the duration of the period in which the reduced wages will be kept so, the relation of labor cost to total cost and hence prices, and the conditions essential to business revival—do not receive the consideration they deserve.

PROBLEMS

1. "The various historic wage theories and the assumptions underlying them have been simply reflections of the economic facts of the period in which they were framed." Can you put concrete substance into this statement?
2. Try to work out the assumptions underlying each theory and determine to what extent they are true.
3. It is sometimes said that there are three kinds of inequalities which wage theory must explain: differentials between wage levels in corresponding industries in different countries; between different industries in the same country; between individuals and groups in the same industry and country. List as many factors as you can in explanation of each. Do the classical theories relate to one type of difference more than to others?

4. "There is a misleading unreality about the orthodox classification of the factors of production as 'land, labor and capital.' It is more useful to think of production as being carried on by labor and management working with capital through organization." Is there any reason why this should be a more useful approach?
5. Can you ascertain the specific productivity of a worker in a modern factory organization? If so, how; if not, why not?
6. "The main difficulty in wage determination is the lack of common standards: the worker measures wages by one yard-stick, the employer by another." Is this true? If you think it is, what standards does each use?
7. "Wages are determined by bargaining power, not by productivity." Could you frame a "bargain" theory of wages?
8. "It becomes more and more obvious that the working classes work for each other more than for the capitalists and landlords." Is this true? Why or why not? Who surrenders what the worker gains? How find out?
9. What are the influences of "standards of living" on wages? Should the question read, "What are the influences of wages on standards of living"?
10. "Workers still tend to think in terms of the wages fund theory, although that theory has been exploded." Have the assumptions of the wages fund theory ever any validity from the point of view of the worker?
11. "I am not sorry that the American worker does not save more." Why or why not?
12. "A change in standards of consumption would make a profound change in the differences in wages as between different industries." How? Do you agree?
13. Are there "non-competing groups" in the labor market? How could they be made up? Would the machine tend to break them up? Would any other influences in modern life? Has the question any significance?
14. "We have no measure except market value of the productivity of different kinds of labor: to say that each tends to get the value of his contribution to the joint product of industry means no more than that the contribution of each tends to be valued at what he gets." Is it true that the marginal productivity theory simply argues in a circle?
15. "It is clear that there is not enough at present to allow of the distribution of 25 per cent or even 1 per cent more than people actually get." "There is a fallacy in the form of this statement since a change in distribution might result in increased production." What do you think of the question?

16. Is it true that everyone "thinks his income ought to be about 25 per cent more than it actually is"?
17. Suppose you were an industrial arbiter. What theory or principles would you use in adjusting a wage dispute?
18. "The task of the wage adjuster during war-time is less to do absolute justice than to keep production going." Do you agree with the implications of this statement as to the task of the peace-time adjuster?
19. Are there any determinable limits to the amount of wages which can be paid in a given industry? a given plant? What are they?
20. What would you regard as the elements of a "scientific" approach to the wage question?
21. Evaluate each of the principles or standards of wage adjustment suggested in the second part of this section.

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CHAPTER IX

STANDARDS OF LIVING: THE DISTRIBUTION OF WEALTH AND INCOME: WAGES AND EARNINGS

A. Standards of Living

1. A DESCRIPTION OF STANDARDS OF LIVING[1]

a) DEFINITION OF A STANDARD OF LIVING

Broadly speaking, a standard of living for any group of people is such a sum of accustomed goods and services as they consider absolutely essential to their maintenance. In a very poor community this may mean the barest elements of physical existence. (The Chinese coolie living on a bowl of rice and wearing one garment the year around is the classic example of this.) In a well-to-do group it may include many cultural wants. For practical purposes in any given group a standard may be considered basic when with less than that amount the group would cease to be self-supporting, would show definite signs of undernourishment or other stigmata of degeneracy, or would cease to have enough children to perpetuate itself. Viewed in this sense, it might be regarded as the cost of producing labor.

It is patent that ideas differ as to what one's standard of living should be. We are all inclined to believe that we should have more things, and save for a fortunate few, our incomes never seem to be enough to satisfy our "needs." On the other hand, it is very easy for us to pass judgment upon others and declare that they should not spend "too much" and that they do not "need" as many things as they seem to want. The problem as to why people want certain things and what determines how many they want is too complicated to touch upon here but the answer would go far to explain wage levels, industrial efficiency, and many other matters.

The difference between a standard of living and the cost of living should now be plain. The money cost of any given standard of living, just as of any simple commodity of any assigned sum, will vary from time to time and from place to place as the general price level rises or falls. The variations for this country are threefold.

a) Variations from time to time.—These are by far the most important. During the war, American prices doubled.

[1] Prepared by Dorothy W. Douglas.

b) Variations between different sections of the country (Northwest, South, Middle West, and Far West).—For strictly comparable commodity standards in cities of the same size, the difference is not very great. The widest average intersectional variation, between the cities of the Northeast (most expensive) and the cities of the Middle West (least expensive) probably does not run over 10 per cent.

c) Individual variations of cities of the same size within the same area.—Even the most extreme of these variations probably very seldom exceed 10 per cent.

d) Variations between town and country are of course much more marked, with the costs usually lowest in the most rural sections, but we have no statistical evidence to tell us how great the difference is. Since, however, our cost-of-living studies deal exclusively with industrial workers, we are only concerned with the lesser *variations between* small and large towns. It is extremely unlikely that such variation ranges beyond 10 or, in extreme cases, 15 per cent.

The basic standard of living that primarily interests students of labor is necessarily that of a normal family group rather than that of single men and women. The family inflow of goods and services must be such as to provide for the care of dependent children. The standard size of the family used by statisticians accordingly has been five persons, father, mother, and three children under four. The reasons assigned for selecting three children have been that five persons per family[1] roughly represents the actual average of American households according to the Census, and more significantly, that approximately three children per family is necessary to insure the perpetuation of the race.

Some persons have objected to the inclusion of as many as three dependent children in the "normal" family, on the ground that the *average* working-class family does not usually have as many as three children below working age *at any one time;* and that where there *are* as many as three below working age at the same time, there are usually also one or more *above* working age, whose earnings go to swell the family exchequer. Be this as it may, the "standard" family up to this time is uniformly reckoned at five persons, three of them young children.

For single men and women, the standard of living has ordinarily been assessed on the basis of their living away from home, i.e., a *board-*

[1] However, the Census includes under "family" all members of a household, including boarders and servants; to say nothing of the inmates of hotels and institutions.

ing commercial rate. For single men the assumption is ordinarily that their standard of living should include some savings for the future. For women, this item is usually omitted, and some students would even restrict their living expenses to what constitutes self-support *within* a family group. These questions will be taken up in greater detail later.

One word of warning must be issued before turning to the history of American budgets, and that is that even the most rigorously outlined of these budgets, by the very fact that it is a standard and not a mere average, reflects in a certain sense ideal rather than actual conditions of livelihood. If three-fourths of the families in a given community live without drains, and typhoid is rife, and the investigator has a preconceived standard of healthfulness in his mind, then his "minimum standard" of subsistence may include drains. Similarly, if three-fourths of the families spend an inordinate amount of their pay in fortnightly carousals, the investigator may choose to allow nothing for "spending money" save say enough for a weekly movie or two. In this sense, all standard budgets are to some extent "ideal"; and the delicate point is to find the closest possible approximation to *both* actual environmental possibilities and a "reasonable" preconceived standard.

b) HISTORICAL DEVELOPMENT OF BUDGETS

The earliest attempt to set up and apply a minimum standard on a large scale was made in England by Charles Booth about 1890. For seventeen years dating from 1886 he studied in enormous detail the "Life and Labour" (as his series of volumes was subsequently entitled) "of the People of London." The entire East End of the city he actually examined by house-to-house tabulation (finishing in 1889) and the rest by an elaborate series of samplings and estimates. Finding from experience that families with less than 18 shillings a week total income (about $4.50) were necessarily destitute, and even those around 20 shillings (about $5.00) in constant need, he classified his returns by income-groups, with the following results:

"My 'poor,' may be described as living under a struggle to obtain the necessaries of life and make both ends meet; while the 'very poor' live in a state of chronic want. It may be their own fault that this is so; that is another question; my first business is simply with the numbers who, from whatever cause, do live under conditions of poverty or destitution."[1]

[1] Charles Booth, *Labour and Life of the People of London* (1891 ed.), I, 4.

For the city of London as a whole Booth found 30.7 per cent to be in poverty, of whom 1 per cent was in the lowest class while 7.5 per cent were very poor; 51.5 per cent were in the more comfortable sections of the working class, and 17.8 per cent in the middle and upper classes.[1] He thus came to the astonishing conclusion that nearly a third of the population of the largest city in the world was in serious want.

A decade later, in 1899, B. Seebohm Rowntree made an even more intensive study of the town of York. Practically every wage-earner of the entire city was canvassed, and his earnings and family circumstances tabulated. Rowntree thereupon not merely assessed the total income of each family, but he compared it in each individual case to the size of the family, using a carefully worked-out standard of necessary per capita consumption, primarily for food, and secondarily for other bare necessaries. The food standard was, in quantity and cost, that of poor-house inmates fed at wholesale prices; the housing was the cheapest actually obtainable (i.e., the amount actually paid by each family, on the ground that rent is usually the first item that poor people economize in); fuel and housekeeping sundries were at a minimum, and the clothing enough for warmth and washing only, not for appearance. Nothing was allowed for pleasure, insurance, incidentals, or even sickness.

Rowntree divided the families living in poverty into two groups: (1) Those whose total earnings were insufficient to secure the minimum necessaries for the maintenance of merely physical efficiency. To this type Rowntree gave the name of "primary" poverty. (2) Those whose total earnings would be sufficient to maintain physical efficiency were it not that some of it was spent for other purposes, either useful or wasteful. Rowntree called this type "secondary" poverty.

Some further idea of the stringency of the standard which Rowntree set up for merely maintaining physical efficiency may be gained from his own description of it.

A family living upon the scale allowed for in this estimate must never spend a penny on railway fare or omnibus. They must never go into the country unless they walk. They must never purchase a halfpenny newspaper or spend a penny to buy a ticket for a popular concert. They must write no letters to their absent children, for they cannot afford to pay the postage. They must never contribute anything to their church or chapel, or give any help to a neighbor which costs them money. They cannot save, nor can they join sick club or Trade Union, because they cannot pay the necessary subscriptions. The children must have no pocket money for dolls,

[1] Booth, *op. cit.*, II, 20–21.

marbles, or sweets. The father must smoke no tobacco, and must drink no beer. The mother must never buy any pretty clothes for herself or for her children, the character of the family wardrobe as for the family diet being governed by the regulation, "Nothing must be bought but that which is absolutely necessary for the maintenance of physical health, and what is bought must be of the plainest and most economical description." Should a child fall ill, it must be attended by the parish doctor; should it die, it must be buried by the parish. Finally, the wage-earner must never be absent from his work for a single day. If any of these conditions are broken, the extra expenditure involved is met, and can only be met, by limiting the diet; or, in other words, by sacrificing physical efficiency.[1]

By comparing the cost of such a standard in terms of the varying number of mouths to be fed with the total family income, Rowntree found that 1,465 families comprising 7,230 persons were living in primary poverty. This was something over 15 per cent of the working class population of York and 9.9 per cent of the total population of the city. The incomes of these families were less than 21 shillings (about $5.15) a week on the basis of a family of five. In 52 per cent of the cases, the wage-earning members of these families were regularly employed but their wages were too low to enable them to secure even this rigid minimum. Largeness of family was the predominating cause for the primary poverty of 22 per cent, while the death of the chief wage-earner was the chief cause in 16 per cent of the cases, illness, unemployment and irregular work accounted for the remaining 10 per cent.

Rowntree found 15,700 more people were living in families whose incomes were less than six shillings ($1.40) more than the rigid minimum of 21 shillings, or proportionately for different sized families. This was equivalent to 33.6 per cent of the wage-earners of the city and 21.5 per cent of the total population of York. Since few could be expected to live according to the severe economizing set out in the standard, the result of Rowntree's investigation was to corroborate the previous study of Booth. One of Rowntree's most significant contributions was in pointing out that the life of a laborer is characterized by "five alternating periods of want and comparative plenty." In his early childhood (unless he is the son of a skilled worker) he is generally in poverty which will continue until either he or the other children begin to earn and thus raise the family income above the poverty level. Then while he is earning and living unmarried with his parents, he will have a surplus above his needs, even though paying

[1] B. Seebohm Rowntree, *Poverty—A Study of Town Life*, pp. 133–34.

his family for lodging and food. This continues until he is married and for the first year or so of married life until the children begin to come. If he has saved appreciably during his bachelorhood this may even continue until he has two or possibly three children. He will then, however, fall into poverty and remain there for probably at least ten years, or until one or more of the children begin to earn and turn their wages into the family purse. The more children there are, the longer this period of poverty will be. Then the family enjoys a period of relative prosperity while their children are earning. As the children marry and leave home, however, he and his wife sink back into poverty, since he is now getting old and he has never been able to save very much. A laborer is therefore in poverty and underfed in three periods: (1) in childhood, when his physical frame is being built up; (2) in early middle life, when he normally should be in the very prime of health, (3) in old age. Women are in poverty during most of the time they are bearing and rearing children.

The 10 per cent in primary poverty therefore were only those in that condition at the time of the investigation. Others had either once passed through it or would do so in the future. The number who thus experience primary poverty at one time or another is thus greater than is indicated by the figures.

In America, the cost-of-living studies that have been made have from the beginning been on a more generous scale. The inevitable primary social needs—for a little pleasure, a little going about, a newspaper, occasional contributions to church or charity or organizations, and some provision for medical attention and burial insurance, have always been recognized. The quarrel between different types of investigators has been rather as to the major items of the budget—the proper minimum quality of the food, the necessary number of garments, the necessary replacements of household goods, and perhaps most of all the necessary decent minimum of housing.

So long ago as 1900–1902 the U.S. Department of Labor conducted an elaborate investigation into the actual incomes and expenditures of over 25,000 wage-earning families scattered throughout the United States.

This study made no attempt to set up derived standards of any sort, but confined itself to analyzing the actual habits of expenditure which the incomes of the successive groups of this large number of wage-earners made possible. (For each successive income-group the "cost of living" of course very nearly equaled the entire income.)

Out of the total 25,000 families investigated, the Bureau selected some 11,000 for further study, as "normal" families. These "normal" families consisted exclusively[1] of wage-earning father, mother, and not more than five children, all under fourteen.

The average income of these 11,000 "normal" families (twenty years ago, be it remembered) was about $650, of which on the average 5 per cent remained as surplus. Expenditures were distributed roughly as follows: food, 43 per cent; housing, 18 per cent; fuel and light, 6 per cent; clothing, 13 per cent; all other, 20 per cent.

A preliminary study by Mrs. L. B. More set $728 as the basic minimum (with allowance for some recreation, sickness, etc.) in New York for the period 1903–5. Dr. R. C. Chapin followed this up with a thoroughgoing investigation of some 600 families for the New York State Conference of Charities and Corrections. Families were finally chosen to approximate the standard-sized family of five. Chapin's work was carefully done and his tentative conclusions were as follows:

"It seems safe to conclude from all the data that we have been considering that an income under $800 is not enough to permit the maintenance of a normal standard. A survey of the detail of expenditure for each item in the budget shows some manifest deficiency for almost every family in the $600 and $700 groups. Three-fifths of the families have less than four rooms. Fuel is gathered on the street by half of the $600 families and by more than one-third of the $700 families. One-third of the $600 families are not able to afford gas. One-third of the $600 families are within the 22-cent minimum limit for food, and 30 per cent of the $700 families spend 22 cents or under. In sickness the dispensary is the main dependency of these families. Each of them spends less than $10 annually in the average, on account of health, and only one family in ten in the $600 group and one in six of the $700 group spends anything for the care of the teeth. Recreation and education are reduced to their lowest terms. As to provision for the future, industrial or burial insurance is one of the necessities that the poorest families provide, and the returns show cases where something is saved out of a $700 income, but the savings are at the expense of essentials of the present, as is seen in the number of underfed families reporting a surplus at the end of the year. Whether an income between $800 and $900 can be made to suffice is a question to which our data do not warrant a dogmatic answer."

In 1909–10, a smaller, or medley neighborhood investigation was carried on in Chicago by J. C. Kennedy and others for the University of Chicago Settlement. After studying the actual expenditures of a large number of families in that neighborhood together with their

[1] "Exclusively," i.e., families with older children, or with boarders, lodgers, or dependents were excluded.

needs and the prices of commodities, they framed a budget which provided among other things for four rooms, 1½ pounds of butter per week, one suit of clothes for the father per year and certain other similar items, including an allowance for health, insurance, newspapers, etc. The total of these items amounted to $733.62 and the report went on to state:

"The above list includes no expenditures for church, which are made by at least nine-tenths of the families in this district; no expenditures for alcoholic liquors, which were made by all but one of the families studied; no expenditures for tobacco, barber bills, recreation, Christmas presents, ice-cream and candy, and a number of other items which are found in the budget of every family in this district that can afford it. Moreover, no allowance is made for the extraordinary expenses occasioned by birth, deaths, moving, etc., which must be met sooner or later by every family. If we allow $66.38 per year to cover all these items, the necessary minimum expenditure for each family of five would be $800. We believe that no family of five can live decently and efficiently in the stockyards district on less than this amount."

Before the war, in other words, representative estimates of the cost of a minimum decent standard of subsistence in the larger American cities ranged around $800. With the rapid inflation of prices accompanying the war, and the industrial unrest that went with uncertainty and the heavily competing demands on all sides for labor-power, the question of labor's cost of living assumed new importance.

The United States government, groups of employers and of employees, and finally disinterested private agencies of reform, all took a hand in assessing minimum standards. The government came first, both as the country's largest direct employer of labor and as the arbiter of all wage disputes concerned with war industries. Naturally its first concern was to keep production uninterrupted, and this preoccupation may have led its several agencies (the National War Labor Board and the Shipbuilding Labor Adjustment Board) to incline predominantly toward labor's side of the balance.

Be this as it may, it is noteworthy that the new budgets outlined by the government during this period took more account of the decencies and amenities of life than any of the accepted earlier standards. The term "minimum comfort budget" was first used at this time. William F. Ogburn, then examiner for the National War Labor Board, drew up most of these more-than-subsistence budgets. The U.S. Bureau of Labor Statistics in 1920 generalized Ogburn's "comfort" data so as to furnish a strictly quantity budget applicable to different regions and industries. It calls this a "health and decency minimum."

A comparison of two of Ogburn's budgets, for the lower and higher grade shipyard workers, shows wherein the chief difference between the "minimum" and the "comfort" standard lies. At the comfort level the family spends a smaller proportion of its budget for food and a larger proportion for clothing and sundries. At the 1918 price level Ogburn's "minimum" standard was supposed to cost a little under $1,400, and his "comfort" standard about $1,760, yet the cash allowance for food for the two families was almost practically the same.

In framing his "subsistence" budget, Ogburn had in mind not only the actual expenditures of a large number (some 600) shipyard workers around New York whom he had studied, but especially the standard set up by Chapin in 1907.

Taking this at around $800 rather than $900 and allowing some 75 per cent increase in the prices level[1] from 1913 to 1918, Chapin's standard in 1918 would have cost about $1,400. Meanwhile, however, from 1907 to 1913, prices had also been rising, though at a slower rate. (Food, for example, had increased by about a third.) Unfortunately the extent of this rise, which might reasonably be estimated at say 15 to 20 per cent, is not known. However, costs in New York in 1907 must have been somewhat higher than was general in smaller cities. Hence, for a country-wide estimate, Ogburn considered himself justified in taking the New York standard over unchanged from 1907 to 1913, and using as its equivalent in money for 1918, his sum of slightly under $1,400.

It will be noted that in thus taking over the single standards of earlier investigations and using them as the lower of two differentiated standards—a "subsistence" and a "comfort"—Ogburn and his fellows were probably though unintentionally pushing these earlier standards down a little below where they were originally intended to go in the average person's estimation. Chapin *et al.*, had not intended their minimums like, for example, Rowntree's, to represent bare physical subsistence; decency and normal social contacts were always included in them as well as mere health.

After the Government, employers and employees took a hand in budget-setting. During the War, funds and time were not available to put their estimates on a very scientific basis, but with the cessation of hostilities and the continued soaring of prices, more careful budgets began to be made.

The employers agency for this purpose has been the National Industrial Conference Board. Through their agent, Miss Margaret Stecker,

[1] As established by the U.S. Bureau of Labor Statistics.

they have made extensive cost-of-living surveys in a large number of industrial towns—in the East, the Middle West and even the South. As was to be expected, their estimates for the majority of these have run somewhat lower than those of previous students, but their method has had the great advantage of reflecting accurately some of the actual standards current in a great number of different communities. Both their weakness and their strength lies in this fact: their weakness, because any given customs of expenditure are necessarily dependent upon current wages; their strength because they portray for us how varied are the dominant standards in a series of communities chosen purposely for variety.

The extremes of Miss Stecker's budgets are shown in Fall River, Massachusetts, and three Southern cotton-mill towns on the one hand, and in Detroit on the other. Fall River is a textile center inhabited largely by French Canadians and Portuguese; the Carolina towns are typical southern cotton-mill communities with company houses and little contact with the outside world; both represent low-grade labor. Detroit, on the other hand, is the center of the automobile industry, with a large proportion of skilled American workmen. Wages in Fall River and the Carolina towns are notoriously low, in Detroit unusually high; the standard of life has adjusted itself accordingly in each case.

While for food and clothing Miss Stecker's prearranged quantity allowance is practically identical in the two extremes, for housing the difference is enormous—corresponding to the type of houses actually available in each case—which could of course in neither extreme press above the income level there current.

Thus for Fall River we read: "The ordinary tenement in Fall River contains from three to five rooms with toilet—the majority of wage-earners do not have a bath—$2.25 a week or $117 a year for four rooms and toilet may be set as a minimum figure for housing a family of five in Fall River, according to existing conditions. $3.50 a week or $182 a year will secure somewhat better accomodations."

For the Carolina towns we read: "Company houses . . . . are one story high, built of wood on brick piers . . . . most of them are ceiled inside. They are heated by coal grates and lighted by electricity. Few mill houses are plastered, which, added to the fact that they are built without cellars, makes them very difficult to heat. There are no bathrooms and few as yet have toilets or running water inside the house. Yearly rents (averaged) $45 for a four-room cottage. One mill in Charlotte owned a few four-room houses with stone

foundations, baths and other conveniences, which raised the rent to $2 a week (i.e. $104 a year). This was not typical however."

In Detroit on the other hand, we are told: "The typical house in Detroit is a small cottage or a two-family house. The cottages usually contain five rooms and a bathroom. Very few American families in Detroit live in houses without a bathroom. Many houses, however, were constructed very quickly in war time, and were built without basements; $35 a month (or $420 a year) is considered the minimum amount which should be allowed for housing an American family living at a minimum standard in Detroit in Sept., 1921. Such a cottage or flat would probably be heated by stoves rather than by furnace, but would have a bathroom, gas and electricity."

Employees as a body have not made as extensive cost-of-living surveys as have the employers. For the most part they have been contented to take over the commodities listed in Ogburn's Washington "Comfort Budget" (since expressed very clearly in quantitative terms by the U.S. Bureau of Labor Statistics), price them locally where a wage dispute was going on, and present them as their basic minimum. This the Labor Bureau, Inc., of New York did for the printing trades union of New York in the fall of 1920, with a resulting total budget of over $2,630.

Besides the government, employers and employees, disinterested private organizations of a reform type have taken a hand in budget study. The leader of these is the Philadelphia Bureau of Municipal Research under the direction of Mr. W. C. Beyer. Beyer's preconceptions appear on the whole to have been more like Chapin's than like either of the bargaining groups; at any rate his resulting budget has on the whole steered a middle course between subsistence and "comfort."

His study, made in 1918–19, is indeed probably the most thorough and painstaking that has yet been made. He collected his material by means of an elaborate schedule from 260 Philadelphia wage-earning families. He then framed a basic standard in quantitative terms ("specified items") and priced them at the prices of the fall of 1919. Some items such as household equipment, amusements, education, etc., could not be stated in quantitative terms. Beyer found that these "unspecified items" amounted to 18 per cent of the total expenditures in the families he had studied. He then added 21 per cent (or 18 per cent of 82 per cent) to the cost of the "specified" standard. By the winter of 1921, this had risen to $1,847.

A number of other detailed studies of the cost of living have been made which are shown on page 287 and from all of them we should be able to frame a fair definition of at least four working-class levels or standards of living.

1. *The poverty level.*—A level at which the income, even though expended with ordinary prudence is insufficient under modern city conditions for even the physical upkeep of a family of moderate size. Characteristics: Undernourishment, overcrowding, deterioration of house-hold equipment and clothing, liability of acute distress with any minor disturbance of the daily equilibrium. The family is either not on a permanent basis of self-support or it is so at the expense of its physical vigor. In English manufacturing towns Rowntree found that a deficit of 25 per cent in the fuel value of such families' dietary was not uncommon. In the larger American cities today (1923) families living on from $1,000 to $1,100 would be at this level.

2. *The minimum of subsistence level.*—A level at which the income is sufficient for complete physical and material upkeep of a bare kind, but insufficient either for major emergencies or for any social pleasures that cost money. In practice families living at this level will have the social pleasures anyway, and probably will be somewhat undernourished and pretty surely a great deal overcrowded. They form the upper fringe of Rowntree's food-deficit group (going in for adequate bulk but not necessarily adequate fuel-value in their dietary), live in three or at the most in four rooms in unimproved houses, or if they occupy larger quarters, take in boarders. Their expenditures for all "sundries" (i.e., all items other than food, rent, fuel, and clothing) will stay well below 20 per cent of the total, and their expenditure for food about 40 per cent.

Some characteristic indications of the point at which the poverty level leaves off and the subsistence level begins have been pointed out by Professor William F. Ogburn as:

Fuel-gathering ceases, at least as a major source of supply. The use of cast-off clothing ceases, at least as a major source of supply. The wife's clothing budget rises to about 75 per cent of her husband's. To this might be added that a family of five occupies at least three rooms.

At the present time in the larger American cities families living on from $1,100 to $1,400 would be at a "subsistence" level. Typically their expenditures would be allocated about as follows:

Food.....	$500	(under $10 a week)	about 40 per cent of total
Clothing.....	$225	man, about $70 wife, about $50 3 children .. $40, $35, $30 } $105	about 18 per cent of total
Housing.....	$245	(about $20 a month)	about 19 per cent of total
Fuel and light.	$ 75		about 6 per cent of total
Sundries.....	$210	(inc. all house furnishings)	about 17 per cent of total

Some of the other "sundries" would run about as follows:

Health, about.....	$35
Recreation, about.....	20
Education (newspapers, postage, etc.).....	14
Insurance, etc., about.....	35

3. *The subsistence-plus ("minimum health and decency") level.*—This is the level that practically all earlier American students of the cost-of-living problem attempted to describe. It allows explicitly for not only the physical but the elementary social necessities. In order to have some recreation, some paid medical attention, carfare, insurance, etc., a family living at this level need not "take it out of the food," out of the mother's clothing, or even out of the rent. Indeed the improvement in housing conditions is perhaps the simplest single index of the family's easier circumstances. An abstract picture of such a "subsistence-plus" standard for cities might run somewhat like this:

Housing: Five-room[1] cottage or flat in respectable neighborhood, in good repair probably with basement; running water, private toilet, probably bath; closet and cupboard space.

Food: Allowance of approximately 3,500 calories (i.e., units of heat energy) per man per day; wife and children in proportion. For the standard family of five, about 3.3 to 3.8 times one man, or from 11,500 to 13,000 calories.

The quality of the dietary is indicated by the following items:

Meat and fish (cheaper cuts only).....	9 lbs. a week for family of five
Meat substitutes:	
Dried beans and peas and cheese.....	1 lb. a week for family of five
Eggs.....	1½ doz. a week for family of five
Milk.....	14 qts. a week for family of five

[1] Save in a very crowded metropolis such as New York, where four rooms would be approximately all that could be secured.

Fats:	
Butter.....	½ lb. a week for family of five
Oleo.....	1 lb. a week for family of five
Lard, etc.....	1½ lbs. a week for family of five

Clothing: The clothing is throughout of the cheapest serviceable grade, but allows for enough replacements to make a thoroughly neat and respectable appearance. Thus the man would be allowed one suit and one extra pair of trousers a year, one-fourth of an overcoat, one-half cap, one-half felt and one-half straw hat, two dress shirts in addition to his work shirts, etc. At present prices the man's clothing budget would cost perhaps $80. The wife in addition to her house dresses would have one-fourth suit and one-third coat a year, one-half velvet and one straw hat, one extra skirt, one-half homemade silk waist in addition to her two cotton ones, etc. The cost of her clothing budget would have risen to about 90 per cent of that of her husband. At present prices it would cost about $75. The children would each have three or four pairs of shoes and nearly a dozen pairs of stockings a year; the boys would each have one suit and two extra pairs of trousers, one-third overcoat, one cap, etc., in addition to overalls; and the girls would have half a dozen cotton dresses, one hat, one-half coat, etc. The total clothing costs for the three children would be about $135.[1]

Sundries: Among "sundries," the family would be able to take not only a daily paper but either a Sunday paper or an occasional magazine, and still have a dollar or two a year left over for stationery and postage; it could go to the movies once a fortnight, and still have $5 to $10 a year left over for excursions and other forms of amusement; it could spend $.25 to $.50 a week all told for tobacco, ice-cream, candy, and soft drinks, and so on. In each item the stringency of the subsistence level of living would be a little relaxed.

At autumn, 1922, prices such a "subsistence-plus" level of living in most American cities would probably have cost from $1,500 to $1,700.

The expenditures would be allocated about as follows:

Food.....	$550	($10 to $11 a week)	about 35 per cent of total
Clothing	$290	Man, $80 Wife, $75 Children $35, $45, $55	about 18 per cent of total

[1] About $35, $45, and $55 respectively, for the ages of six, ten, and thirteen.

Housing.....	$325 (about $20 to $25 a month)	about 20 per cent of total
Fuel and light	$85	about 5 per cent of total
All other.....	$350	about 22 per cent of total

4. *The comfort level.*—This is the level that has come to public attention since the war. It represents the attainment of the highest class of wage-earners and the cynosure of the rest.

TABLE XXXIII

TOTAL AMOUNTS REQUIRED TO SUPPORT STANDARD FAMILY OF FIVE ACCORDING TO VARIOUS BUDGETS*

Time	City	Author	Amount of Budget			
			Poverty	Subsistence	Subsistence Plus Health and Decency	Comfort
1905	New York City	More	.....	.....	$ 728	.....
1907	New York City	Chapin	.....	.....	825	.....
1909	Mill towns of Georgia and North Carolina	U.S. Bureau of Labor Statistics	$ 408	.....	.....	.....
1909	Fall River, Mass.	U.S. Bureau of Labor Statistics	484	.....	.....	.....
1914	Chicago	Kennedy	.....	.....	800	.....
1914	New York City	Straightoff	.....	$ 876	.....	.....
1914	Buffalo	Straightoff	.....	772	.....	.....
1915	New York City	Board of Estimate and Apportionment	.....	.....	846	.....
1917	New York City	Board of Estimate and Apportionment	.....	.....	980	.....
1917	Seattle	Ogburn	.....	.....	.....	$1,506
1917	New York City	Bellevue Hospital	.....	1,018	.....	.....
1918	Eastern industrial centers	Ogburn	.....	.....	1,386	.....
1918	Eastern industrial centers	Ogburn	.....	.....	.....	1,760
1918	Philadelphia	Beyer	.....	.....	1,637	.....
August, 1919	Washington	U.S. Bureau of Labor Statistics	.....	.....	.....	2,262
October, 1919	Fall River, Mass.	Nat. Ind. Conf. Board	.....	1,268	1,574	.....
November, 1919	Lawrence, Mass.	Nat. Ind. Conf. Board	.....	1,386	1,658	.....
January, 1920	Bituminous mining towns	Ogburn	.....	.....	.....	2,244
January, 1920	West Hoboken, etc.	Nat. Ind. Conf. Board	.....	1,610	.....	.....
February, 1920	Three Carolina cotton towns	Nat. Ind. Conf. Board	.....	1,410	.....	.....
May, 1920	Cincinnati, Ohio	Nat. Ind. Conf. Board	.....	.....	1,692	.....
June, 1920	Worcester, Mass.	Nat. Ind. Conf. Board	.....	.....	1,733	.....
October, 1920	Chicago	Council of Social Agencies	1,175	.....	1,733	.....
November, 1920	New York City	Labor Bureau, Inc.	.....	.....	.....	2,633
1920	Meriden, Conn.	Assoc. Charities	.....	1,430	.....	.....
August, 1921	Philadelphia	Beyer	.....	.....	1,847	.....
September, 1921	Detroit	Nat. Ind. Conf. Board	.....	.....	1,698	.....
February, 1922	Anthracite Region of Pennsylvania	Nat. Ind. Conf. Board	.....	1,322	.....	.....

* The assignment of these budgets into the classes "Poverty," "Subsistence," "Subsistence plus," and "Comfort" has been somewhat arbitrarily done on the part of the editors, on internal evidence only. In many cases the authors of the budgets would have classed them differently.

At the comfort level, the expenditures for food will not rise very much, the large increase being taken up almost entirely by clothing, housing, and especially "sundries." The *proportion* spent for sundries increases in about the same ratio as the proportion spent for food decreases. Indeed a fairly good criterion of the point at which the "subsistence-plus" level is passed and the "comfort" level begins, would be the point where the expenditures for sundries passes the 25 per cent mark. (This may be taken as analogous to the sudden increase in rent that usually marks the transition from a "subsistence" to a "subsistence-plus" level.)

At present prices, the total cost of a "comfort" budget in most American cities would run about $2,100, and the principal budget items would be ranged approximately as follows:

Food.....	$575	(about $11 a week)	29 per cent of total
Clothing.....	$350	Man, $100; Wife, $100; Children $40 / $50 / $60	17–18 per cent of total
Housing.....	$400	(about $30 to $35 a month)	20 per cent of total
Fuel and light..	$125		6 per cent of total
All other.....	$550		28 per cent of total

The various important budgetary studies that have been made and the kind and cost of the standard set up were shown in Table XXXIII.

2. CHANGES IN THE COST OF LIVING, 1913–1922[1]

The United States Bureau of Labor Statistics made a country wide budgetary investigation in 1918, whereby it secured the proportion which the various articles and classes of commodities formed of the wage-earners expenditures. The prices of these articles in the various cities were then found for December, 1914, and for the same month in the four following years. These were thereafter collected more frequently and the percentage increases or decreases were weighted by their relative importance in the budget. Table XXXIV shows the average fluctuations for thirty-two widely distributed cities from 1913 on—the increase from 1913 to December, 1914, being

[1] Adapted from the *Monthly Labor Review*, XV (August, 1922), 72; XVI (February, 1923), 131.

estimated at 3 per cent. The estimated average for 1913 is taken as the base or 100. This is as far back as statistics for the total cost of living go. Prior to that time indices of food prices are our most reliable method of measurement.

TABLE XXXIV

Date	Average Relative Cost of Living (1913 = 100)	Date	Average Relative Cost of Living (1913 = 100)
1913	100.00	June, 1920	216.5
December, 1914	103.00	December, 1920	200.4
December, 1915	105.1	May, 1921	180.4
December, 1916	118.3	September, 1921	177.3
December, 1917	142.4	December, 1921	174.3
December, 1918	174.4	March, 1922	166.9
June, 1919	177.3	June, 1922	166.6
December, 1919	199.3	September, 1922	166.3
		December, 1922	169.5

3. THE PROBLEM OF VARIATIONS IN THE SIZE AND COMPOSITION OF THE FAMILY[1]

As has been pointed out, practically all budgetary studies have used the family of five including three dependent children below the age of fourteen as their type for estimating costs. This is commonly defended on two grounds: (1) that the average family is of this size, (2) that it is necessary for at least three children to survive per marriage in order to secure the perpetuation of the race.

Clearly, however, there is a large percentage of workmen's families which are smaller than this as well as some that are larger. While it is probably true that most families *pass through* the stage when they have three dependent children of these ages, it is nevertheless also true that at *any one time* most families are not of this size. If less, they therefore will not need as much to live on. If more, they commonly have more than one wage-earner to supply their needs.

How then are we to compare the cost of maintaining these families of varying sizes with our "standard." If it costs the latter $1,800 a year to live on a health and decency level, how much will it cost a couple without children, a couple with one child; with two; with five? An approximate answer to these questions must be found if we are to secure an estimate of the cost for individuals and families and not merely for a hypothetical type.

[1] Prepared.

Messrs. King and Sydenstricker of the United States Public Health Service studied the actual consumption and expenditures of a large number of families in South Carolina cotton-mill villages and were able to measure the relative *total* costs for individuals of varying ages of both sexes (Table XXXV). The average for adult males of twenty-four is taken as 1.0 and others are compared with this. It should be emphasized that this covers all items of expense including food.

TABLE XXXV

Age	Male	Female	Age	Male	Female
1	.24	.24	20	.98	.78
3	.31	.31	25	1.00	.79
5	.35	.35	30	.97	.78
7	.40	.40	35	.95	.76
9	.44	.43	40	.93	.74
11	.50	.48	45	.92	.72
13	.59	.55	50	.89	.69
15	.74	.65	60	.81	.66

It is of course probable that the relative total costs of women would be much higher in families above the subsistence group. The above figures, however, make it possible at least to approximate the relative expense of maintaining families of differing sizes. Thus the standard family of five would probably total somewhat as in Table XXXVI.

TABLE XXXVI

Person	Age	Relative Units of Costs
Husband	40	.93
Wife	35	.76
Male child	13	.59
Female child	7	.40
Male child	3	.31
Total units of cost	.....	2.99

We may thus take 3.0 as the approximate number of cost units in this type of family. If the cost of maintaining a health and decency standard is $1,600, this would mean a cost of $533 per unit. We can thus determine how much it would cost a couple with five children to live on this standard. Let us assume the ages to be as in Table XXXVII (p. 290).

It should not be pretended that this method should be followed strictly but it is valuable in reducing families of widely differing compositions to a relatively comparable basis.[1]

TABLE XXXVII

Person	Age	Units of Cost
Husband	40	.93
Wife	35	.76
Male child	13	.59
Female child	11	.48
Male child	7	.40
Female child	3	.31
Male child	1	.24
Total units	.....	3.71

Cost for the family = $533 × 3.7 = $1,972

B. The Distribution of Wealth and Income

4. THE DISTINCTION BETWEEN WEALTH AND INCOME

The statistics given concerning the probable distribution of wealth and income are likely to be misinterpreted unless the differences between the two are carefully noted. The fact that one man owns $100,000 worth of property, be it land or capital, does not necessarily mean that he can purchase in a year a hundred times the goods and services that another, with only $1,000 worth of personal effects, can buy. The only income advantage which the former's wealth gives to him is the interest or rent which he secures from it. Let us suppose indeed that he is idle, and that his property income is $5,000 a year, while, to give an extreme illustration, the second man holds a $5,000 position. The incomes of the two men and their power of purchase are equal. The fact that in this country, 65 per cent of the people probably own only 5 per cent of the wealth does not mean that they can purchase only 5 per cent of the goods and services which are pro-

[1] The student who wishes to follow this method through in greater detail is referred to the following three papers of Messrs. Sydenstricker and King: "A Method of Classifying Families According to Incomes in Studies of Disease Prevalence," *Public Health Reports*, XXXV (November 25, 1920), 28, 29–46; "The Classification of the Population According to Income," *Journal of Political Economy*, XXIX (July, 1921), 571–95; "The Measurement of the Relative Economic Status of Families," *Quarterly Publications American Statistical Association*, XVII, 842–59.

duced. The researches into our national income indeed indicate that in 1918, they[1] received approximately 39 per cent of the total income and hence could purchase that proportion of the nation's goods and services. This difference between the 5 per cent of wealth and the 39 per cent of income is due to the fact that the worker, since he is free and owns himself, does not count as wealth on the nation's balance sheet, but nevertheless does secure an income from his labor. Income rather than wealth is then the important consideration in determining one's ability to buy; whether it is the more important as regards security and power, is a different question.

5. THE DISTRIBUTION OF WEALTH IN DIFFERENT COUNTRIES[2]

TABLE XXXVIII

Class of Population	Country and Date	Percentage of Total Wealth Owned by Class	Average Value of Estate in Dollars	Money Value of Estate Compared to Wisconsin as Base
Poorest 65 per cent of the population	Prussia 1908	4.9	153	40
	France 1909	4.3	186	49
	U.K. 1909	1.7	133	35
	Wis. 1900	5.2	381	100
Lower middle class, 65–80 per cent	Prussia 1908	5.5	743	49
	France 1909	5.6	1,052	69
	U.K. 1909	2.9	979	64
	Wis. 1900	4.8	1,724	100
Upper middle class, 80–98 per cent	Prussia 1908	30.6	3,445	39
	France 1909	29.4	4,602	53
	U.K. 1909	23.7	6,670	76
	Wis. 1900	33.0	3,730	100
Richest, 2 per cent	Prussia 1908	59.0	59,779	44
	France 1909	60.7	85,500	63
	U.K. 1909	71.7	181,610	134
	Wis. 1900	57.0	135,715	100
All classes	Prussia 1908	100.0	2,226	42
	France 1909	100.0	2,817	59
	U.K. 1909	100.0	5,067	106
	Wis. 1900	100.0	4,762	100

[1] On the assumption that the lowest 65 per cent in ownership of wealth and receipt of income were the same persons, which in all probability they very nearly were.

[2] Adapted with permission from W. I. King, *The Wealth and Income of the People of the United States*, p. 96. (The Macmillan Co.)

6. THE DISTRIBUTION OF WEALTH IN MASSACHUSETTS AT DIFFERENT PERIODS[1]

TABLE XXXIX

Class of Population	Date	Percentage of Total of Estates Owned by Class	Average Value of Estate in Dollars	Real Value of Estate Compared to 1859–61
Poorest, 65 per cent of population	1859–61	6.5	360	100.0
	1879–81	5.0	377	100.3
	1889–91	4.5	399	138.4
Lower middle class, 65–80 per cent	1859–61	4.2	1,009	100.0
	1879–81	1.9	622	58.9
	1889–91	3.9	1,499	185.5
Upper middle class, 80–98 per cent	1859–61	32.4	6,485	100.0
	1879–81	26.5	7,224	106.5
	1889–91	32.8	10,509	202.3
Richest, 2 per cent	1859–61	56.9	102,500	100.0
	1879–81	66.6	163,415	152.4
	1889–91	58.6	169,550	206.6

7. THE PROBABLE DISTRIBUTION OF INCOME IN ENGLAND IN 1906[2]

Taking the population of the United Kingdom at 43 million and the national income as $8,325,000,000, we get an average income per head of slightly less than $200. Thus if the income of the nation were evenly divided amongst its inhabitants, a family of five would enjoy an income of about $2,000 per annum.

But how is the $8,325,000,000 actually divided amongst our people? Contrasts between great riches and extreme poverty are every day presented to our eyes. Can we do anything to reduce to a definite shape our vague conception of riches and poverty?

The $800 line at which assessment to the income tax begins divides the national income into two almost equal parts. Those persons having more than $800 per annum enjoy an aggregate income of 4,050 millions of dollars, while those who have less than $800 a year enjoy

[1] W. I. King, *op. cit.*, p. 79.

[2] Adapted with permission from L. G. Chiozza-Money, *Riches and Poverty*, pp. 29–43. (Methuen & Co.)

an aggregate income of 4,275 millions. The number of income tax payers is as follows:

Incomes	Number
$800–$3,500	750,000
Over $3,500	258,000
Total	1,008,000

In round numbers we may say then that one million people receive over $800 per year. If we assume that each of these is the head of a family of five, we get the result in Table XL.

Broadly speaking, nearly one-half of the entire income of the United Kingdom is enjoyed by but one-ninth of its population.

TABLE XL

	Number of Persons	Incomes in Millions of Dollars
Incomes over $800	5,000,000 (1,000,000×5)	$4,050
Incomes less than $800	38,000,000 (total population less 5,000,000)	4,275
Total	43,000,000	$8,325

But a still more extraordinary conclusion emerges from the facts we have examined. Of the 1,000,000 income tax payers, 750,000 are persons with small incomes ranging from $800 to $3,500. The aggregate income of these 750,000 persons we estimated at 1,200 millions and the estimate is a liberal one. By subtraction from the total income of the income tax groups (4,050 millions), we see that the 250,000 rich persons with $3,500 and upwards per annum possess an aggregate income of 2,950 millions of dollars. See Table XLI.

Thus to the conclusion that nearly one-half of the entire income is enjoyed by but one-ninth of its population, we must add another even more remarkable, viz., that *more than one-third of the entire income of the United Kingdom is enjoyed by less than one-thirtieth of its people.*

The great fact emerges that the enormous annual income of the United Kingdom is so badly distributed amongst us that, out of a population of 43,000,000, as many as 38,000,000 are poor. It is no longer incredible that in a population of 43,000,000 people, enjoying an aggregate income of $8,325,000 there exist "30 per cent living in the grip of perpetual poverty." When we realize 38,000,000 out of our 43,000,000 are poor, the United Kingdom is seen to contain a

great multitude of poor people, veneered with a thin layer of the comfortable and the rich.

TABLE XLI

	Number in 000's	Income in Millions of Dollars	Percentage of Population	Percentage of National Income
Riches:				
Persons with incomes of over $3,500 per annum and their families (230,000×5)	1,250	2,925	3	35
Comfort:				
Persons with incomes between $800 and $3,500 per annum and their families (750,000×5)	3,750	1,200	9	14
Poverty:				
Persons with incomes of less than £160 per annum and their families	38,000	4,275	88	51
Total	43,000	8,325	100	100

8. A STUDY OF THE TOTAL NATIONAL INCOME IN THE UNITED STATES[1]

The National Bureau of Economic Research has made a very thorough study of the amount and distribution of the national income of the United States, entitled *Income in the United States*, 1909–1919. Table XLII shows the estimated total national income by years.

The Bureau's estimate for the year 1918 is given below. It should be noted that this is a study by persons, not by families.

TABLE XLII

Year	National Income Billions of Dollars	Weighted Index of Prices (1913=100)	Purchasing Power Income 1913 Price Level (Billions of Dollars)
1909	28.8	.....	.....
1910	31.1	97.8	31.8
1911	31.2	98.5	31.7
1912	32.4	99.4	32.6
1913	33.3	100.0	33.3
1914	32.5	100.6	32.3
1915	35.9	102.5	35.0
1916	45.5	113.4	40.1
1917	53.9	136.1	39.6
1918	61.7	160.8	38.4
1919	66.0	176.8	37.3

[1] Adapted with permission from *Income in the United States*, pp. 71, 76, 85, 97, 134–35. (Harcourt Brace & Co.)

Family incomes, at least in the lower economic classes, would average considerably higher than the distribution by persons, since ordinarily income would be received from more than one person.

TABLE XLIII

Annual Income Less than	Cumulative Percentage of Persons	Cumulative Percentage of Incomes
$ 600	9.5	2.4
800	22.4	8.3
1,000	38.7	17.9
1,200	54.5	29.1
1,400	67.1	39.7
1,600	76.0	48.3
1,800	82.0	54.9
2,000	85.9	59.7
2,500	91.4	67.5
3,000	94.1	72.3
4,000	96.6	77.9
5,000	97.8	81.2
6,000	98.4	83.5
8,000	99.0	86.3
10,000	99.3	88.0
15,000	99.6	90.5
25,000	99.9	93.6
50,000	99.94	95.3
100,000	99.98	96.9
500,000	99.998	99.1
1,000,000	99.9996	99.5
Over 1,000,000	.0004	.5

1918

Income per capita.—What was the income per capita during this period? The first column of Table XLIV gives the estimate of the

TABLE XLIV

Year	Per Capita Income in Dollars	Per Capita Income in Dollars (in Terms of 1913 Price Level)
1909	319	333
1910	340	349
1911	333	338
1912	346	348
1913	354	354
1914	335	333
1915	358	350
1916	446	400
1917	523	396
1918	586	372

National Bureau of Economic Research by years in terms of the price level of each year. The real increase from year to year because of the rise in prices was of course much less than that indicated by these figures, and in the second column they have been reduced to a common price level—that of 1913, and hence made comparable.

Per capita income of various countries.—A comparison of the national incomes at the outbreak of the war of four countries, for which estimates, whose margin of error probably does not exceed 10 per cent, shows that the United States has not only a much larger national income but also a higher per capita income. These estimates it should be remembered are for 1914 and are for the most prosperous of the larger nations.

TABLE XLV

Country	National Income in Billions	Income per Capita
United States...	33.2	335
United Kingdom.	10.9	243
Germany.....	10.5	146
Australia.....	1.3	263

Distribution of the national income among economic classes.—The Bureau secured data on the proportion which the amount expended for wages and salaries in the various lines of industry formed of their net value product, i.e., selling price less cost of raw materials, and services received from other industries. They found that the average for all industries as a whole in 1918 was 54 per cent and that this had not fluctuated more than 2 per cent during the nine previous years. This percentage covers only the amount paid out specifically to *hired* labor in the form of wages and salaries. It does not include that portion of the incomes of farmers, small-shop keepers, etc., which is properly due to their own labor. These men receive a composite income, derived not only from labor, but, frequently as well from all of the three remaining factors of production: namely, capital, land and management. It is impossible satisfactorily to disentangle the proportion which the return for labor forms of these composite incomes and consequently the percentage given does not measure the *share of labor* but merely the *share of the hired wage earners.*

The proportion thus paid varied widely from industry to industry. In 1918, it was only 10 per cent for agriculture, due to the vast amount

of labor performed by the farmers themselves and by their families; it was but 37 per cent for banking, due to the large amounts of capital invested; on the other hand, it was 78 per cent in manufacturing, the same in railway transportation, and 90 per cent in government service.

The proportion devoted to wages and salaries on the one hand and to management and property (including rent, interest and dividends) was found for the three fields of manufacturing, mining, and land transportation for the 10 years from 1909 to 1918. This division between what might be termed "service" income and "property" income was as in Table XLVI.

TABLE XLVI

Year	Millions of Dollars		Percentage	
	Wages and Salaries	Management and Property	Wages and Salaries	Management and Property
1909.....	$ 6,481	$2,950	68.7	31.3
1910.....	7,156	3,250	68.8	31.2
1911.....	7,287	2,791	72.3	27.7
1912.....	7,993	3,169	71.6	28.4
1913.....	8,651	3,359	72.0	28.0
1914.....	7,947	2,816	73.8	26.2
1915.....	8,722	3,470	71.5	28.5
1916.....	11,630	5,810	66.7	33.3
1917.....	14,375	6,502	68.9	31.1
1918.....	17,472	5,124	77.3	22.7

It will be seen from the above that the share of wages and salaries varied from two-thirds to three-quarters of the net product and that of management and property fluctuated between one-quarter and one-third. The larger proportions received by management in 1916 and 1917 were undoubtedly due to the great development of business prosperity in those years, when selling prices rose more rapidly than labor costs, leaving a larger residue of profit for the owners.

C. Wages and Earnings

[NOTE.—For a distinction between the meanings for various terms such as wages, earnings, etc., see (1) chapter vii, Selection 3, and (2) chapter xii.—ED.]

9. WEEKLY EARNINGS AND YEARLY INCOME

a) THE PERIOD 1900–15

During the first decade and a half of the century a number of wage studies were made which threw significant light upon the question as to the adequacy of wages to maintain a reasonable standard of life. The more valuable of these are summarized below.

1. *Annual incomes of heads of families in 1903.*—In 1903, the United States Bureau of Labor made a thorough investigation of

TABLE XLVII

PERCENTAGE OF HEADS OF FAMILIES EARNING LESS THAN EACH SPECIFIED AMOUNT*

	Under $300	Under $500	Under $600	Under $700	Under $800
Bakers	3	19	37	65	94
Blacksmiths	2	10	25	42	66
Boilermakers	2	6	17	34	60
Bricklayers	2	6	14	23	42
Carpenters	4	22	40	64	86
Cigar makers	4	30	48	71	88
Retail clerks	1	9	26	46	69
Coal miners	7	59	81	93	98
Teamsters	5	36	63	89	98
Freight handlers	1	64	84	97	100
Laborers (iron and steel)	7	69	92	99	100
Laborers (textiles)	22	91	99	100	100
Machinists	0	5	15	35	72
Laborers (misc. mfg.)	12	75	91	99	100
Masons	4	15	26	41	67
Moulders	1	8	18	38	68
Printers	3	19	45	72	87
Plasterers	1	13	27	46	70
Plumbers	1	3	8	19	37
Stonecutters	3	9	19	28	52
Tailors	3	31	54	63	75
Total (for all industries)	4	30	48	65	82

* Adapted from *Eighteenth Annual Report, United States Bureau of Labor*, pp. 283–85.

approximately 25,000 families and secured data on their incomes. Table XLVII shows the yearly incomes of the heads of families.

The fact that three-tenths received less than $500, nearly one-half less than $600, and that approximately two-thirds received less than $700 are especially significant. The low earnings in the iron and steel industry and among the textile laborers should be particularly observed. Seven hundred dollars was probably the necessary amount

for a family of five to maintain a minimum of subsistence-plus standard in most American cities at that time.

2. *Earnings and family incomes of the immigrants and those of immigrant stock in industry during the year 1908–9.*—The United States Immigration Commission in its monumental report studied the individual and family earnings in some 17,000 households widely distributed over the United States. It should be remembered that these were composed either of the foreign-born themselves, or of the native-born

TABLE XLVIII

AVERAGE ANNUAL EARNINGS OF IMMIGRANT STOCK IN AMERICAN INDUSTRY 1908–9*

Industry	No. of Households	Average Annual Earnings Males 18 and Over	Average Annual Earnings Male Head of Families	Average Annual Family Income
Iron and steel manufacture	2,456	$346	$409	$568
Woolen and worsted manufacture	440	346	400	661
Cotton goods manufacture	1,061	401	470	791
Leather manufacture	362	431	511	671
Silk goods manufacture and dyeing	272	431	448	635
Bituminous coal mining	2,371	443	451	577
Manufacture boots and shoes	710	502	573	765
Clothing manufacture	906	513	530	713
Sugar refining	194	522	549	661
Slaughtering and meat packing	1,039	557	578	781
Glass manufacture	660	574	596	755
Furniture manufacture	338	575	598	769
Oil refining	525	591	662	828
Glove manufacture	262	625	650	904
Collar, cuff, shirt manufacture	264	637	662	861
Total (in all industries including some not specified above)	17,141	475	.....	721

* From *Report of U.S. Immigration Commission*, Vol. 20, pp. 16; 389–90; 374; 413.

of foreign parentage. It is therefore probable that their earnings were not characteristic of all American labor at that time but they were probably typical of those in the unskilled and possibly the semi-skilled groups.

The distribution of these earnings according to the amounts received is shown in Table XLIX.

It will be noticed from the above that 61 per cent of all males over eighteen, and 51 per cent of the heads of households, received less than $500 a year. Three-quarters of all the males were receiving less than $600 a year as were two-thirds of the heads of households.

Only 7 per cent of all the males and 11 per cent of the heads of households received more annually than $800.

The proportion of the total family incomes which fell in the various groups was as in Table XL.

TABLE XLIX

Annual Income	Males over 18		Heads of Households	
	Percentage in Group	Percentage Under Group Above	Percentage in Group	Percentage Under Group Above
Under $300	21	21	14	14
$300–$400	20	41	18	32
400– 500	20	61	19	51
500– 600	14	75	16	67
600– 700	10	85	12	79
700– 800	8	93	10	89

The total income of slightly over three-tenths of these families at this time was therefore less than $500 a year, while approximately two-thirds in all received less than $750 a year. Only 18 per cent received over $1,000 a year.

TABLE L

Total Family Income		Percentage Under Group Above
Annual Income	Percentage in Group	
Under $300	8	8
$300– $500	23	31
500– 750	33	64
750– 1,000	18	82
Over $1,000	18	.....

b) THE PERIOD 1915–19

1. *Family incomes in 1918.*—The United States Bureau of Labor Statistics made an investigation in ninety-two localities within forty-three states of some 12,000 white families and approximately 750 colored families. Special attention was paid to the total income of these families for the year.

The families studied were chosen to conform to the so-called standard family of five. In addition the following varieties of families were excluded: (*a*) those without husbands at work, (*b*) those keeping boarders or more than three lodgers, (*c*) those where children lived

with the family in the position of boarders, (*d*) those where less than 75 per cent of the family income was derived from wages. This resulted in securing families averaging approximately five in number where the husbands wages were the primary source of family income.

TABLE LI

Earnings of Family and of Husband by Size of Family and Income Group*

Income Group	Number of Families	Percentage of Families	Average Persons Per Family	Average Family Earnings	Average Husband's Earnings	Percentage Husband's of Total Earnings
Under $900	332	2.74	4.3	$ 782	$ 766	97.9
$900–$1,199	2,423	22.7	4.5	1,037	1,014	97.7
$1,200–$1,499	3,959	55.5	4.7	1,294	1,252	96.8
$1,500–$1,799	2,730	78.1	5.0	1,566	1,488	95.0
$1,800–$2,099	1,594	92.3	5.2	1,854	1,691	91.2
$2,100–$2,499	705	97.1	5.7	2,161	1,786	82.75
$2,500 and over	353	2.92	6.4	2,684	1,796	66.9
Totals	12,096	100.00	4.9	1,455	1,349	92.73

* Adapted from *Monthly Labor Review* (December, 1919), pp. 29–41.

The average family income for all the 12,000 families was $1,513; $1,349 of this was derived from the earnings of the husband while the remainder came from the earnings of others in the family circle and from other sources. Forty-four per cent secured some income from their gardens though the amount was very small.

2. *Actual weekly earnings in 1918 and 1920 as a basis for estimating yearly earnings.*[1]—The National Industrial Conference Board, an association of employers, made a wage study of twelve industries in 1918 and 1920. Amongst other data, they secured the average actual weekly earnings for these industries and these offer interesting side-lights upon the question of the adequacy of the wages paid in terms of the various accepted standards of living.

Table LII shows the average actual weekly earnings for male employees in September, 1918, and March, 1920, and what the average yearly wage would have been at this rate had fifty-two weeks been worked.

These statistics can be supplemented by those collected by the United States Bureau of Labor Statistics in its industrial survey of

[1] Adapted from Paul H. Douglas, "An Examination of the Wage Statistics of the National Industrial Conference Board," *Quarterly Publications American Statistical Association* (September, 1921), pp. 900–904; and "Wages and Hours of Labor in 1919," *Journal Political Economy*, XXIX (January, 1921), 78–80.

1919 covering plants employing 405,000 workmen in twenty-eight industries. The average number of hours worked by the male employees was 45.6 per week and the average earnings per hour were 56.1 cents, making the average weekly earnings $25.61. With fifty-two weeks of such employment, the average yearly earnings would have been $1,332. This, however, is merely an average. Ten per cent of the male employees were employed for less than twenty-four hours a week, and reckoning cumulatively, 16 per cent were employed for less than thirty hours, 22 per cent less than thirty-six hours, and 31 per cent less than forty-two hours. Assuming that these short-

TABLE LII

AVERAGE EARNINGS OF MALE EMPLOYEES IN TWELVE INDUSTRIES AS REPORTED BY THE NATIONAL INDUSTRIAL CONFERENCE BOARD

Industry	September, 1918		March, 1920	
	Average Actual Weekly Earnings (a)	Average Yearly Earnings (a×52)	Average Actual Weekly Earnings (c)	Average Yearly Earnings (c×52)
Boots and shoes	$23.62	$1,228	$28.70	$1,492
Chemical manufacturing	25.24	1,312	35.72	1,857
Cotton manufacturing	20.50	1,066	24.87	1,293
Furniture manufacturing	17.39	904	22.87	1,189
Hosiery and knit goods	22.50	1,170	27.65	1,438
Leather	23.36	1,215	30.18	1,569
Metal manufacturing	27.73	1,442	29.79	1,549
Paper manufacturing	23.20	1,206	28.82	1,499
Printing and publishing	23.69	1,232	31.67	1,647
Rubber manufacturing	27.93	1,452	36.32	1,889
Silk manufacturing	21.48	1,117	28.98	1,507
Wool manufacturing	22.93	1,192	28.70	1,492

time workers received the average hourly wage of the groups as a whole, a weeks' work of twenty-four hours would then net only $13.66 and, if this were typical of the year as a whole, the yearly earnings would be $710; a thirty-hour week would bring in $16.83 or at a yearly rate of $875; a thirty-six-hour week would amount to $20.20 or the yearly equivalent of $1,050 while a week of forty-two hours would spell weekly earnings of $23.56 and a yearly earning rate of $1,225. Part of the apparently short hours worked was undoubtedly caused by labor turnover and thus probably making the yearly personal earnings more than is otherwise indicated.

When these wage statistics are compared with the amounts necessary to maintain a family of five at these times, proof is furnished of

the inadequacy of the average adult male's wage to support a family of five. The most conservative and the most carefully worked out budget for the fall of 1918 is that of the Philadelphia Bureau of Municipal Research which fixed $1,637 as the amount necessary to support a family of five on "a minimum standard of health and comfort." The Philadelphia budget is indeed probably only slightly above a minimum of subsistence. This Philadelphia quantity budget was revised in November, 1919, and in August, 1920, being increased to

TABLE LIII

INDICATED YEARLY EARNINGS COMPARED WITH AMOUNT NECESSARY TO MAINTAIN THE PHILADELPHIA STANDARD

Industry	September, 1918		March, 1920	
	Amount Needed to Bring Full-Time Yearly Earnings to Minimum	Percentage Increase Needed to Bring Full-Time Yearly Earnings to Minimum	Amount Needed to Bring Full-Time Yearly Earnings to Minimum	Percentage Increase Needed to Bring Full-Time Yearly Earnings to Minimum
Boots and shoes	$409	33	$393	26
Chemical manufacturing	325	26	28	2
Cotton manufacturing	571	54	592	46
Furniture manufacturing	733	81	696	59
Hosiery and knit goods	467	40	447	31
Leather	422	35	316	20
Metal manufacturing	195	14	336	22
Paper manufacturing	431	36	386	26
Printing and publishing	405	33	238	14
Rubber manufacturing	185	13	4*	.....
Silk manufacturing	520	47	378	25
Wool manufacturing	445	37	393	26

* Indicates excess.

$1,803 in the former month and $1,988 in the latter. If we assume that the increase was evenly distributed throughout these nine months, we would have a figure of $1,885 as the necessary amount in March, 1920. If we compare the average yearly wages for the various industries as given in the Table LII (on the basis of fifty-two weeks' work) with this budget, we see very clearly the inadequacy of the average wages of males, even during the periods of greatest business activity, adequately to support a family of five.

In the fall of 1918, therefore, the average wage in every one of these industries was much less than the amount required to support a family of five. This deficiency, save for metal and rubber manufacturing, ranged from $300 to over $700. An increase of from 23

to 81 per cent was needed to bring the average earnings in ten of the twelve industries up to the minimum. By 1920 the situation was somewhat improved, but even then in only one industry would the full-time yearly earnings have been sufficient for supporting the standard family. In nine of the twelve industries the gap between the yearly rate of earnings and the minimum was over $300, and in one it was nearly $700. In these nine industries, increases ranging from 22 to 59 per cent were needed to bring the average yearly rate up to the minimum.

Now three objections may be urged against drawing the conclusion from the above that wages are inadequate: (1) That the standard of living chosen applied only to Philadelphia and cannot be used as a standard for the rest of the country. It is of course true that the cost of living does vary from locality to locality, but it is also undoubtedly true that these differences, at least in industrial centers, are not so great as are commonly supposed. Moreover, we have no information that would lead us to infer that the cost of living in Philadelphia is less than in other large manufacturing centers. It is however probably higher than in smaller cities. (2) That the earnings of the male should not necessarily cover the cost of living for the family as a whole, since it is only proper to expect the family to receive income from other sources. This is a proposition to which one may give a qualified assent subject to judgment as to the specific source of income. Thus, while the work of the wife outside the home is sometimes proper when there are no children, it should be indulged in only in the rarest circumstances when there are children. The contributions of children over sixteen or indeed over fourteen may also be proper. Income from boarders is a source upon which a general conclusion is impossible since although it may be proper in some instances, in many others it is not. In general, however, we should beware of making total family income the test of the adequacy of the wage. The attempts of the family to secure supplementary income may indeed seriously impair the family life and vitality. (3) That since many men have either no dependents or less than four we should not use the family of five as the standard by which to measure the adequacy of men's wages, but should instead use a smaller family. A great deal of research is needed to determine how well-grounded such a contention is. At the present time we lack adequate information as to the proportion of adult males in the United States who have such a standard family, as well as the proportion that have more and those that have fewer dependents. Pending such fuller research and information, it does not seem wise to discard for

the present at least the currently accepted standard in favor of a smaller family, particularly in view of the fact that even the present standard does not include (*a*) the initial cost of family furniture and fittings; (*b*) the expenses connected with the birth of children; (*c*) an adequate protection against the risks to which the worker is subjected; and (*d*) a proper provision for a human depreciation fund to protect the worker against industrial old age.

Although the above points might lead one to suppose that the indicated inadequacy of the wage is an overstatement, the following factors operate in the opposite direction: (1) The standard of living chosen was a most conservative one and one which many experts would increase. (2) The estimated yearly earnings were based upon working the full fifty-two weeks during the year at the same rate as during the period studied. This makes no allowance for unemployment save for such broken time as occurred during the period under consideration. When we remember that the amount of unemployment over a period of years is probably at least 10 per cent, this consideration assumes great importance. (3) The periods chosen were characterized by a great deal of overtime which would be non-existent at other points in the business cycle when many even of those regularly employed would work only part-time. (4) Finally, it should be remembered that the above figures were only averages. There was, therefore, a very large body of workers who received less than the amounts indicated.

Although it is manifestly impossible to balance these unknown quantities with any degree of even approximate accuracy, it does seem most probable from the figures of the National Industrial Conference Board itself that during the most outwardly prosperous period in our recent economic history a very large section of our working population did not receive a wage high enough to maintain a "decent" standard of living.

c) THE AVERAGE ANNUAL EARNINGS OF EMPLOYEES[1]

TABLE LIV

THE AVERAGE ANNUAL EARNINGS OF EMPLOYEES NORMALLY ENGAGED IN VARIOUS INDUSTRIES, 1909–1918

Denominator of Earnings	Calendar Year	All Industries*	Agriculture‡	Production of Minerals†	Manufacturing: Factories†	Manufacturing: Hand Trades†	Transportation: All Transportation*	Transportation: Railway,* Express, Pullman, Switching, and Terminal Companies	Transportation: Street Railways,* Electric Light and Power, Telegraphs and Telephone Companies	Transportation by Water‡	Banking	Government‡	Unclassified Industries
Current Money	1909	626	302	599	571	699	657	651	623	773	770	739	716
	1910	656	301	642	620	681	688	690	638	788	797	763	743
	1911	648	317	647	609	657	697	705	641	773	843	778	715
	1912	692	319	687	655	714	731	747	652	808	887	798	772
	1913	723	328	755	705	748	762	782	678	825	930	823	779
	1914	674	321	649	616	640	721	723	683	807	921	842	768
	1915	697	330	656	653	693	727	728	666	880	1,017	861	777
	1916	831	357	814	873	840	842	849	732	1,081	1,170	891	867
	1917	961	463	1,025	1,022	945	1,017	1,063	790	1,306	1,238	940	972
	1918	1,078	590	1,283	1,148	1,194	1,286	1,394	878	1,590	1,461	895	1,054

* Includes amounts paid for pensions and compensation for injuries.
† Includes payments for work done by contract.
‡ Includes subsistence but excludes pensions.

[1] Taken with permission from W. S. Mitchell, W. I. King, and others, *Income in the United States*, I (1921), 102–3.

10. WAGES IN RELATION TO THE COST OF LIVING AND THE PRODUCT OF INDUSTRY

a) THE RELATIVE MOVEMENT OF REAL WAGE RATES, 1890–1918[1]

This study is an attempt to carry forward to 1918 a study made by Dr. M. Rubinow for the period 1890–1912. It will be remembered that Dr. Rubinow's computations showed a decline in the purchasing power of hourly wages in terms of food from the 1890–99 average to 1912 of 8.2 per cent of the purchasing power of "full-time" weekly earnings of 14.7 per cent. If this study can then be carried on to 1918, we would have a fairly accurate picture of the movement of real wages for a period of nearly thirty years (1890–1918).

Data were collected for ten industries, seven of them unionized, on (*a*) hourly wages and rates, (*b*) the number of hours constituting the established week's work, and (*c*) the full-time weekly earnings for each of the years from 1890 to 1918. "Full-time" weekly earnings are obtained by multiplying the established number of hours per week that constitute the standard working week by wages per hour. Thus if 50 hours constitute the established week's work and if the hourly wage was 30 cents, then $15.00 would comprise the "full-time" weekly earnings. This term therefore does not signify the relative amounts of money that the workers actually receive in their weekly pay check since it makes no allowance for (1) unemployment, (2) underemployment, or (3) overtime. In other words "full-time" weekly earnings are based upon the working of the established number of hours for the occupation or industry and do not deal with deviations from that scale whether they be above or below. The average for the ten years, 1890–99, was found for hours, hourly wage-rates, and full-time weekly earnings for each craft and this was taken as 100. The figures for that craft for all other years were expressed in relative terms with that average earning as the base. The index for each industry is the simple average of the crafts that compose it and the general index number is the unweighted arithmetic average of the industries. The price of fifteen food commodities weighted according to their importance in the family budgets of workmen was the only continuous index of the cost of living and was hence used. The average price of these good commodities for the years 1890–99 was taken as 100.

The following final table summarizes the trend of hours per week, wages per week, full-time weekly earnings, and retail food prices.

[1] Adapted from Paul H. Douglas and Frances Lamberson, "The Movement of Real Wages, 1890–1918," *American Economic Review*, XI (September, 1921), 409–27.

From the last three of these items the relative purchasing power of an hour's work and a full-time week's work can be computed. Table LV contains all this material.

TABLE LV

INDEX OF REAL WAGES, 1890–1918

(Average for 1890–99 = 100)

Year	Wages per Hour	Full-Time Weekly Wages	Retail Food Prices	Purchasing Power Measured by Retail Prices of Food, of:	
				Wages per Hour	Full-Time Weekly Earnings
1890	99.4	100.3	101.9	97.5	98.4
1891	99.3	100.1	103.4	96.0	96.8
1892	100.1	100.9	101.6	98.5	99.3
1893	101.1	101.4	104.1	97.1	97.5
1894	98.0	97.9	99.2	98.8	98.7
1895	98.2	98.3	97.1	101.1	101.2
1896	100.2	99.9	95.2	105.3	104.6
1897	100.2	99.7	96.7	103.6	103.2
1898	100.9	100.2	99.7	101.2	100.5
1899	102.4	101.1	100.8	101.6	100.3
1900	106.8	104.6	103.0	103.7	101.6
1901	108.7	105.9	108.5	100.1	97.6
1902	112.9	109.0	114.6	98.5	95.1
1903	117.2	112.1	114.7	102.2	97.6
1904	118.2	112.6	116.2	101.7	96.9
1905	120.0	114.4	116.4	103.1	98.3
1906	125.1	118.6	120.3	103.9	98.6
1907	131.2	123.7	125.9	104.2	98.2
1908	131.6	123.1	130.1	101.2	94.6
1909	133.4	124.4	137.2	97.2	90.7
1910	137.0	126.5	144.1	95.1	87.8
1911	139.8	128.9	143.0	97.8	90.1
1912	145.9	132.6	154.2	94.6	85.9
1913	149.6	135.2	155.7	96.1	86.8
1914	153.1	137.9	158.5	96.5	87.0
1915	152.5	135.5	156.5	97.5	86.6
1916	164.5	144.8	177.6	92.6	80.8
1917	167.0	146.9	233.4	71.6	64.0
1918	211.3	187.7	266.6	79.3	70.4

An analysis of this table shows that:

1. The purchasing power of an hour's wages was 20.7 per cent less in 1918 than it had been during the years 1890–99, and that the purchasing power of full-time weekly earnings was 29.6 per cent less than during this period.

2. This great decrease was concentrated almost wholly in two periods: (*a*) the years 1907–12, (*b*) the years 1916–17.

3. During the period 1907–12 wages per hour increased from 131.2 to 145.9 or 11.0 per cent, yet from 1913 to 1918 they increased from 149.6 to 211.3 or 41 per cent.

4. During the years 1907–12 full-time weekly earnings rose from 123.7 to 132.6 or 7 per cent, while in the period 1913–18 they increased from 135.2 to 187.7 or 38 per cent.

5. During the period 1907–12 retail food prices rose from 125.9 to 154.2 or 22 per cent, while during the years 1913–18 they increased from 155.7 to 266.6 or 71 per cent.

6. In the years 1907–12 the purchasing power of hourly wages as measured by retail food prices decreased from 104.2 to 94.6 or 9 per cent, while from 1913 to 1918 the decrease was from 96.1 to 79.3 or a drop of 17 per cent.

7. In the years 1907–12 the purchasing power of full-time weekly earnings decreased from 98.2 to 85.9 or 13 per cent, while from 1913 to 1918 they fell from 86.8 to 70.4 or a decrease of 19 per cent.

8. From 1912 to 1916 money wages not only held their own but indeed gained slightly upon prices, but the sudden upward movement of prices in 1916 was accompanied by only a slight increase in wage rates and the result was that in two years the purchasing power of hourly wages declined 27.1 per cent and the purchasing power of full-time weekly earnings 26 per cent.

9. Money wages began to gain upon prices in 1918 and in consequence real wages rose in that year over their low-water mark of 1917.

Certain cautions, however, should be observed in using this material:

1. The industries covered do not include such war-time industries as munitions plants. Some of the occupations within these industries enjoyed increases in wages more than sufficient to compensate for the increase in the cost of living. Household servants are naturally not included and they too profited. On the other hand, neither are the railroad workers and the coal miners included, and their wages notoriously lagged behind the increase in prices. Moreover, the wage statistics after 1907 refer chiefly to union workmen. They consequently do not include most of the unskilled workers and, save for the years 1917 and 1918, it is extremely probable that the increases for this class were not as great as for the union workers who were at once more skilled and possessed stronger bargaining powers.

2. The wage scales used since 1907 for seven of the industries were the union scales. Until 1917, and perhaps even until 1918, the union scale did actually represent in practice "the prevailing wage of a locality for efficient labor." In 1918, however, due to the relative scarcity of labor, a much larger percentage than usual of the workers were paid in excess of this scale. To the extent that this occurred,

the use of the union scale fails to give a completely accurate representation of actual wage rates. This criticism, of course, does not apply to the three industries for which pay-roll data were used.

3. As has been pointed out, the use of retail food prices exaggerates the increase in the cost of living for the years 1916, 1917, and 1918. The actual decline in real wages for these years was accordingly somewhat less than is shown above.

4. As has been explained, the relative full-time weekly earnings do not represent the relative amounts of *money actually received* per week. If the relative amount of unemployment or under-employment should decrease, then the relative actual amounts received would (to that extent at least) increase. Likewise if the relative amount of overtime increased, the relative actual earnings would rise. The industrial pressure brought by the war did, beyond doubt, decrease unemployment and increase overtime.

5. It is also probable that, due to the influx of new groups during the war years, a great many of whom were relatively untrained, and the more rapid promotion of the old workers, the workers covered in the latter period were not the same as those covered in the earlier years.

Two questions may then be asked: (*a*) Was the increase in employment per week more than sufficient to offset the loss in hourly wage rates? What was the course of *actual money earnings per week* as compared with the cost of living? (*b*) Which is the more significant, actual earnings or wage rates? These will now be considered in turn:

a) Practically the only authoritative material on actual weekly wage payments, including both overtime and undertime, is that collected by the industrial commissions of New York and Wisconsin and published in their respective labor market bulletins. The former covers some 600,000 workmen, while the latter is based upon approximately 80,000 workmen. In both cases a very narrow base is used for computation, the single month of June, 1914, serving in New York and the first quarter of 1915 in Wisconsin. Table LVI shows the purchasing power of average weekly wage payments in the manufacturing industries of each of these two states in terms of their respective bases.

This table shows that so far as New York state workers were concerned the greater amount of employment was not sufficient to compensate for the decreased purchasing power of an hour's work. The average week's pay envelope actually purchased 12 and 6 per cent less respectively in 1917 and 1918 than in June, 1914, despite the fact that the workmen were employed more steadily and worked longer

hours. In Wisconsin, however, there was apparently a fluctuating increase in real weekly wages over the base after February, 1918, although for a few months preceding this, the index was slightly lower than in the period chosen as the base.

As a matter of fact both the New York and Wisconsin figures give a more optimistic picture than is justified. It has already been pointed out that both use an exceedingly narrow base—that of New York being only one month, while that of Wisconsin is only three months.

TABLE LVI

COMPARISON OF AVERAGE WEEKLY EARNINGS OF FACTORIES IN NEW YORK STATE AND WISCONSIN WITH COURSE OF RETAIL FOOD PRICES IN THE UNITED STATES

(For New York, June, 1914=100. For Wisconsin, first quarter, 1915=100.)

Date	Average Weekly Earnings		Retail Food Prices, U.S., Twenty-two Commodities		Purchasing Power of Average Weekly Earnings in Terms of Food	
	New York	Wisconsin	New York	Wisconsin	New York	Wisconsin
1914	98	.....	105	.....	93.3	.....
1915	101	.....	102	.....	99.0	.....
August, 1915	.....	108	.....	99	.....	109.1
1916	114	.....	115	.....	99.1	.....
February, 1916	.....	117	.....	105	.....	111.4
August, 1916	.....	124	.....	112	.....	110.7
1917	129	.....	147	.....	87.7	.....
February, 1917	.....	134	.....	132	.....	101.5
August, 1917	.....	146	.....	148	.....	98.6
1918	160	.....	170	.....	94.1	.....
February, 1918	.....	157	.....	160	.....	98.1
August, 1918	.....	193	.....	170	.....	113.5
1919	185	.....	188	.....	98.4	.....
February, 1919	.....	209	.....	171	.....	122.2
August, 1919	.....	205	.....	191	.....	107.3
February, 1920	224	240	.....	198	.....	121.2
July, 1920	.....	250	221	217	101.4	115.2

What is more, each of the base periods occurred during the depression of 1914–15 when there was a large amount of unemployment and short time. Had a longer or a more representative period been used as the base for both of these studies, the later figures concerning actual weekly wages expressed in relatives would have been considerably lower. In other words, the workers in New York state lost even more than is indicated above, while the workers in Wisconsin gained less than is shown and, at least until late in 1918, quite probably did not gain at all.

b) Whether, as a matter of fact, total weekly earnings would give a fairer picture of the worker's status than do hourly wage rates, it is

impossible, with our scanty material, to tell. The answer would require a knowledge of pre-war and post-war *hours worked;* and that knowledge is not available. It may be worth while, however, to point out how such material could be used if we did have it.

Very roughly, the question of the relative significance of hourly rates and weekly earnings depends necessarily upon a somewhat complex double factor of judgment; the interrelation not merely of previous and present hours worked to previous and present wage rates but the relation of all four to some sort of mental standard in the way of a "normal" working week. This last criterion is indispensable. Suppose a man had previously been employed only twenty hours a week and was now enabled to work forty hours. Even though his total earnings rose thereby only 50 per cent, would not most critics be assured that his new surplus constituted a real human gain and would they not hence be forced in this case to consider weekly earnings the significant standard? Suppose, however, that he had already been employed forty hours and was now raised to eighty hours. Would this inhumanly long labor be compensated for adequately by a 50 per cent addition in earnings? Assuredly no. Hence the hourly wage would here give the fairer picture. Or again, in the third place, suppose the original hours worked were forty and were now raised to forty-eight or fifty (an amount typically involving no undue strain) but the gain in total earnings was only 2 or 3 per cent. Would that small cash gain be worth the extra effort? Here the issue is not so clear, although most of us would probably hold that the gain was not worth the trouble and that once more the hourly rate was the more significant. If, on the other hand, the increase from forty hours of labor to fifty had entailed an income gain of 12 to 15 per cent, many would think the result worth while—and hence again resort to the weekly earnings as base.

It is believed that the qualifications pointed out above with respect to other industries, trade-union rates, and retail food prices, would not greatly alter the situation as revealed by Table LIV. While any estimate may be in the nature of a guess, it is the belief of the writers that these factors would not introduce a change in real wages in excess of 10 points and probably less.

All the evidence seems to indicate that at the termination of the great war[1] the return in commodities which the American workman

[1] It should be remembered that this investigation stopped with 1918. Further research in process at the time of the issuance of this book indicates that there was a rigid increase of real wages during 1919 and 1920.

received for an equal length of time worked (one hour) was from 10 to 20 per cent less than it was in the decade 1890–1899, and from 7 to 17 per cent less than it was before the sharp upward movement of prices in 1916. The purchasing power of the established week's work, moreover, was from 20 to 30 per cent less than in the nineties and from 10 to 20 per cent less than in 1915. American labor as a whole, therefore, cannot legitimately be charged with having profiteered during the war. Rather, like Alice in Wonderland, it was compelled to run faster in order to stay in the same place.

b) RELATIVE REAL YEARLY INCOMES OF WAGE-EARNERS, 1909–1919[1]

The average yearly incomes of wage-earners for the period 1909–19 was previously quoted in terms of the price level of that year. During this time, however, the cost of living increased. The National Bureau of Economic Research reduced these to the purchasing power of a workman's dollar in 1913. The following table shows these yearly incomes in terms of equal purchasing power for the average of all industries.

TABLE LVII

Year	Value in Terms of 1913 Prices	Relative Index (1913=100)
1909	$656	90.7
1910	671	92.8
1911	659	91.1
1912	696	96.3
1913	723	100.0
1914	668	92.4
1915	677	93.6
1916	755	104.4
1917	745	103.0
1918	682	94.3

c) LABOR'S SHARE IN THE INCREASED PRODUCTIVITY OF INDUSTRY[2]

According to the investigations of Professors E. E. Day, of Harvard, and Walter W. Stewart, of Amherst, which agree substantially with each other, the physical productivity of industry, in terms of the actual quantity of goods produced, increased rapidly from 1899

[1] Adapted with permission from National Bureau of Economic Research, *Income in the United States*, pp. 102–3.

[2] Adapted with permission from George Soule, "The Productivity Factor in Wage Determination," *Supplement American Economic Review* (March, 1923), pp. 129–40.

to 1920. Taking the average production during the years 1909–13 as a base, or 100, Dr. Day found that the index for the production of all commodities in 1899 was 64.6 while by 1920, it was 117. This was an increase of about 80 per cent for the 22 years. During this time manufacturing production alone increased at a slightly higher rate, i.e., from 58.4 to 118.0, or a virtual doubling. The population during these years increased from about 75 millions to about 105 millions, or about 40 per cent. Thus it is clear that total production increased about twice as rapidly as the population between 1899 and 1920 and that manufacturing population increased at a rate even slightly higher. If we divide the index of production by an index of population, we find that production per capita of the population increased from 84 to 107, or about 28 per cent, and that manufacturing production per capita increased from 76 to 105 or about 39 per cent.

It is thus clear that the National product increased so much more rapidly than the population that each man, woman and child in the country might have received from 30 to 40 per cent more goods at the end of the period. This means that the real wages of all wage-earners might have been increased at a rate of a little less than 2 per cent every year, or between 30 and 40 per cent for the period in question, while the real incomes of all other persons were being increased in like proportion. This includes, of course, incomes classified under the heads of land and capital.

As a matter of fact, what did happen to wages. The most comprehensive and satisfactory data from which to calculate the trend of wages come from the U.S. Census of Manufactures. Material is given to calculate the annual earnings instead of wage rates. An index of real wages, made by comparing the census figures with the index of retail food prices, shows the following result, if we take 1889 as the base.

1889	100
1899	99
1904	99
1914	89
1919	98

Thus while per capita production was increasing more than 30 per cent, real wages first fell 10 per cent and then recovered to a position slightly below the levels of 1889 and 1899. It is thus evident that wage-earners not only did not receive the same share per capita

of the increased product year after year, but actually were receiving at the end of the period slightly less goods than at the beginning. If real wages had increased in direct ratio to the increase in per capita production, the index number of real wages in 1919 would have been nearer 140 than 98.

More detailed figures on the course of money wages and on the cost of living are available between 1914 and the present. It is well to examine them not only to secure an index of real wages for 1920, 1921, and 1922 but to check up any error that may be involved in using the retail food index since 1914, when on account of the disturbance of price relationships incident to the war inflation and deflation, food prices fluctuated more widely than other retail prices.

By combining the statistics of weekly earnings in New York and Wisconsin since 1914 and weighting them according to the manufacturing population of each state and then expressing them in terms of the relative total cost of living, we have Table LVIII.

TABLE LVIII

INDEX OF REAL WAGES (COST OF LIVING) FOR NEW YORK AND WISCONSIN

1914	100	1919	101.2
1915	101.7	1920	110.1
1916	102.2	1921	114.7
1917	93.5	1922	117.3 (10 mos.)
1918	96.6		

This would indicate an increase in real wages of about 17 per cent between 1914 and the present year (1922). If we join this new series with our former series derived from the Census, however, and reduce it to the base of 1889, we find that real wages at present have increased only a little over 7 per cent above 1889 or about 5 per cent above 1899.

Thus, even taking into consideration the recent rise in real wages, due chiefly to the more rapid drop of prices than of wage rates since 1920, we have only a 5 per cent increase in the per capita purchasing power of factory wages to compare with a 30 or 40 per cent in per capita production in the last twenty-five years. Making the utmost possible allowance for error in real wage figures, it is hardly conceivable that this gap would be bridged.

What became of the augmented production of physical goods between 1899 and the present which wage-earners failed to receive? The first thought is naturally that they may have gone to other ele-

ments engaged in manufacturing. The Census figures however seem to prove that this is not the case. Wages in 1919 formed the same percentage of the total value added by manufacture, as in 1899, salaries comprised 4 per cent more of the total and the balance 4 per cent less.

My first suggestion was that the later products were absorbed by those engaged in the distributing process and by the overhead trades. This inference is made reasonable by the fact that retail prices before the war seem to have risen more than wholesale prices. Between 1899 and 1914 for instance retail prices of food increased 50 per cent, while wholesale prices of food increased only 37 per cent. The same inference is indicated by the rapidly increasing percentage of the population engaged in trade and finance, the numbers of such occupations having grown from 6.4 per cent of the gainfully employed in 1890 to 10.2 per cent in 1920. The evidence is inadequate and although it seems probable that the merchants, bankers, advertising men, and the like have in part been responsible for absorbing the addition to the national income lost by those engaged in manufacture, they could hardly have absorbed all of it.

Dr. W. I. King has prepared data which appear to show that the bulk of the increase in production went to those dependent on agriculture for their livelihood. On the basis of his estimates, he finds that the share of the total income of the United States going to those thus engaged in agriculture fell a little and then increased slightly from about 13 per cent in 1889 and 14 per cent in 1899 to about 20 per cent in 1919. At the same time the percentage which the agriculturalists formed of the total gainfully employed decreased from 39 per cent in 1890 and 36 per cent in 1900 to 26 per cent in 1920. From these figures, it is difficult to avoid the conclusion that the per capita real income of those engaged in agriculture rose so rapidly between 1899 and 1919 as to absorb most of the increment to national production which, as we have seen, was not shared by factory workers.

It would be improper to infer from these figures that the increase in the average per capita agricultural income was wholly reflected in the prosperity of actual working farmers. If we bear in mind the enormous increases in the value of good farming land, and the large number of tenant farmers and farm mortgages, we must conclude that a great part of this new income did not bring full benefit to actual tillers of the soil.

11. SOME EFFECTS OF LOW WAGES[1]

Rowntree, in his classic investigation of York, England, divided the city into three working-class sections: the poorest, where 69 per cent of the people lived in either primary or secondary poverty; the middle section, where 37 per cent were in poverty; and the highest section of the working-class population where there were no "poor." The death-rate for the poorest section was 27.8 per year for every 1,000 persons; in the middle section it was 20.7; and in the highest 13.5. The death-rate was therefore over twice as high among the poor as among those workmen who were most comfortably situated. This higher death-rate among the poor was of course accompanied by a higher rate of illness and by a much lower standard of health. The infant mortality of children during their first year was also measured. Two hundred and forty-seven out of every 1,000 children born in the poorest district died within a year after birth, as compared with 184 and 173 of every 1,000 children born in the middle and highest sections. Rowntree found that in those families of York who kept servants the infant mortality rate was only 94 per 1,000.

The heights and weights of schoolboys in the three working-class sections were also taken. Boys of three and four in the poorest district averaged 3 inches less in height than those in the highest section. By the time they left school at thirteen, they averaged $3\frac{1}{2}$ inches less. Weight is perhaps a still better test. Boys of three and four in the poorest district averaged only 33 pounds in weight while those in the highest working-class section averaged $37\frac{3}{4}$ pounds. By the time they left school at the age of thirteen, the first group of boys averaged 73 pounds in weight while those of the highest neighborhood averaged $84\frac{1}{4}$ pounds. The boys of the poorest families therefore averaged 11 pounds less than those of the upper-grade of workers. Had a comparison been made with the children of the servant-keeping class the difference would have been even more striking. The general physical condition of the children was also estimated by a trained investigator as the children were measured and weighed. Only 17 per cent of those from the poorest section were found to be in good condition as compared with 27 per cent of those from the middle district and 61 per cent of those from the highest. On the other hand, 52 per cent of the children from the poorest families were found to be in distinctly bad physical shape, in contrast to 19 per cent among those of the middle group and 11 per cent among the highest section.

[1] Prepared.

A significant study of the relation between low wages and sickness was made in 1916 by the United States Public Health Service in seven South Carolina cotton mill villages.[1] They found the cases of *disabling* sickness and the rate per 1,000 persons to be as follows in the different income groups.[1]

These cases of sickness were only those which were so severe as to prevent a person from working or carrying on their activities. The community sickness surveys of the Metropolitan Life Insurance covering some 580,000 persons, in a number of localities, showed an average of 19 per 1,000. The average for these villages was, therefore, nearly two and a half times as great as this and only those families whose monthly income exceeded $20 per adult male had as low an average

TABLE LIX

Family Income		Number of Persons Considered	Sick Persons (Disabled)	
Half-Month per Adult Male	Yearly Basis per Family of Five		Number	Rate per 1,000 Persons Considered
Less than $6	$460	1,312	92	70.1
$6–$7.99	$460–$615	1,038	50	48.2
$8–$9.99	$615–$765	784	27	34.4
$10 and over	Over $765	1,027	19	18.5
All incomes		4,161	188	45.2

as that found by the Metropolitan. The illness rate amongst the lowest income pays was nearly four times that of those working-class families who were most comfortably situated.

The studies made by the United States Childrens Bureau, before our entrance into the war, of infant mortality in various cities also give valuable evidence on the relationship between family income and the death rate of children. Table LX on the opposite page gives the summary for seven cities.[2]

In the light of living costs for that period, the families receiving less than $550 a year from the earnings of the father may with justice be regarded as living in poverty. Children of poor parents therefore had a death-rate which was from two to nearly seven times as great

[1] See Sydenstricker, Wheeler, and Goldberger, *U.S. Public Health Reports, 1918*, XXXIII, No. 47, 2038–51.

[2] See the admirable summary by Julia C. Lathrop, former chief of the Childrens Bureau, "Income and Infant Mortality," *American Journal of Health* (April, 1919), pp. 270–74.

as those of families in more comfortable circumstances. The families with low incomes were compelled to occupy low-rent housing quarters, frequently without bathtubs and often placed on the rear of a lot or fronting on an alley. Infant mortality was highest where these unfavorable housing conditions prevailed and where room overcrowding existed.

Infant mortality was also much higher among the children of wage-earning mothers than among those whose mothers were not gainfully employed, the rates in Johnstown, Pennsylvania, being 188 and 118 respectively and in Manchester, New Hampshire, 313 and 122. The mothers were generally employed in those families where the income of the father was low.

TABLE LX

Infant Mortality Rates by Father's Earnings

City	Deaths of Infants under One Year of Age per 1,000 Live Births, by Specified Annual Earnings of Father		
	All Earnings	$1,250 and Over	Under $550
Johnstown	130.7	87.6	260.9
Manchester	165.0	58.3	204.2
Saginaw	84.6	22.2	142.0
New Bedford	130.3	59.9	168.7
Waterbury	122.7	68.4	151.1
Akron	85.7	40.0	117.5
Baltimore	103.5	64.7	138.0
All cities	111.2	64.3	151.4

PROBLEMS

1. "A standard of living is the cost of producing children." What is the meaning of this statement and to what extent is it true?
2. A minister during the war remarked that the class of people who were buying silk stockings and silk shirts were not the class who should buy them. What did he mean? Is it more proper for any one class to purchase silk clothes than for another?
3. How can we determine scientifically the basic minimum necessary to support physical existence? How may the amount of food needed be ascertained and what is it; the amount of clothing; housing; incidentals?
4. The Chinese can subsist on a few handfuls of rice and generally not more than one meal a day. Could not Englishmen and Americans maintain themselves on this? Why or why not?

5. Compare Rowntree's standard with those of Chapin and Beyer. If you were an arbitrator in a wage case involving unskilled labor exclusively, which standard would you adopt as a basis of fixing wages and why?
6. Define or describe the poverty level, the minimum of subsistence level, the minimum of health and decency, and the minimum comfort standards. To what extent would the physical content of such standards vary in the country from that in the larger cities?
7. "Family budgets, as a measure of the sufficiency of wages paid, were not repudiated by employers because they refused to pay a living wage. On the contrary, every wage arbitration of any importance brought out the assertion by the employers that they believed in a living wage and intended to pay at least a living wage. They denied, however, that this could be measured by theoretical budgets for theoretical families and insisted that the only fair measure of the sufficiency of wages was the prevailing standard of living in their own community among their own operatives" (National Industrial Conference Board, 1921). Comment.
8. "Nowadays very few persons object to the principles of a living wage. But too often we have been disposed to confuse a living wage with the minimum for which a worker can be hired, forgetting that the worker is often forced by economic necessity to accept whatever wage is offered him quite regardless of its adequacy. When we speak of a living wage, we must have in mind a certain standard of living in terms of actual goods and services that such a wage is to make possible" (Philadelphia Bureau of Municipal Research 1919). Comment, and compare with the statement of the National Industrial Conference Board.
9. Compute the probable approximate amount that it would have cost a family consisting of a husband aged forty-five, a wife of forty, a dependent mother of seventy, and four children, namely two boys of twelve and ten respectively, and two girls aged six and four, to live on a minimum of subsistence basis in West Hoboken, New Jersey, at the beginning of 1920; at the end of 1922? Explain the steps in your computation and comment upon them. How much would it have cost this family at each of these periods had it had only one child, a boy of twelve, and no dependent mother? Work this through on the basis of both types of families for other cities on a subsistence plus and on a minimum of comfort standard of living.
10. Compare the distribution of wealth in France, England, Germany, Wisconsin, and Massachusetts. Account for the similarities and differences in the figures.
11. Does such evidence as we have indicate that the concentration of wealth has been increasing in the more thickly settled regions of the United States during the last half-century? How do you account for the results shown? Do you regard such figures as typical of the country as a whole? Why or why not?

12. Analyze the statistics concerning the distribution of income in this country. Compare them with (*a*) the probable distribution of income in Great Britain and (*b*) the probable distribution of wealth in the United States.
13. What is the difference between wealth and income? Which is more important as regards (*a*) purchasing power, (*b*) security, (*c*) power?
14. What is the effect, if any, and why, of our present distribution of wealth and income upon: (1) the demand for Rolls-Royce automobiles as contrasted with that for Fords; (2) the construction of exclusive country estates as compared with excursion trips for the children of the cities; (3) the relative supply of men eligible for bank presidencies and for common labor; (4) the social and economic teachings of our newspapers; (5) the economic theory of the period; (6) the political policies advocated and carried out by the political parties; (7) envy on the part of the poor and distrust upon the part of the rich; (8) the labor movement. Be specific and give full reasons for your position. What would be some of the probable effects of a more equal division of wealth and income?
15. It is sometimes said that if the income of the country were evenly divided, all would live in luxury. To what extent is this true? Should all the income be consumed? What effect would the amount of necessary saving have upon the amount that could be consumed?
16. It is frequently asserted that since labor in manufacturing industries receives only 16 per cent of the total value of manufactured products that it therefore receives only 16 per cent of the total value product of industry. Is this correct? Why or why not?
17. What percentage does labor seem to secure of the total value product of industry? How do you account for the relative constancy of this sum? How account for such variations as have occurred from year to year? To what extent is it probably possible permanently to increase the relative share of labor under the existing structure of society; of capital? Work out your position in detail.
18. "In determining whether wages are adequate in terms of a given standard of living, one should take the total family income as the basis for comparison and not the earnings of the head of the family." Evaluate this statement.
19. From the wage statistics given for the period prior to 1914, what percentage of the workers' families would you estimate were living in poverty? Describe the steps in your reasoning and the data upon which it is based. What qualifications should be made to this estimate and how important do you deem these to be and why?
20. "Labor has prospered mightily; whereas workmen thought themselves lucky in the early 90's to get $1.50 or $2.00 a day, now many get $5 or

$6 a day and yet they still demand more. They should be satisfied with their gains." Criticize.

21. "The workers lived in great comfort, and even in luxury during the war." Evaluate this statement in the light of the investigation by the United States Bureau of Labor Statistics and the study of real wages by Douglas and Lamberson. Discuss in detail.
22. Define the following and distinguish between each: (1) hourly rates, (2) hourly earnings, (3) actual weekly earnings, (4) "full-time" weekly earnings, (5) yearly earnings, (6) yearly family income. Which is the most reliable index of the purchasing power of the worker; of his share in the value product of industry?
23. If the purchasing power of an hour's work went down 10 per cent over a period of years, yet because of the fact that the wage-earners were employed for 15 per cent more hours, their real annual income increased, can they be said to have improved their condition? Discuss in detail.
24. How do you account for the decline in the purchasing power of an hour's work in 1916 and 1917? Is there any relationship between this and the movement of strikes during these years and if so, what? Would you expect that the purchasing power of an hour's work increased in 1919 and 1920? Why?
25. Discuss the relative accuracy of food as an index of the cost of living? Why did not Douglas and Lamberson in their investigation of the movement of real wages use indices for the total cost of living?
26. To what extent has labor shared in the increased productivity of industry? How do you account for the apparent distribution of this increased production? To what extent does it corroborate the views of the Marxian socialists; of the single taxers? Why?
27. Should the wages of labor increase equally with the increase in production? To what degree is labor entitled to share in the increase due to (*a*) accumulation of capital, (*b*) inventions, (*c*) better business methods, (*d*) discovery of more fertile soil, and why? To what degree and in what manner do you think these tendencies work themselves out?
28. On what grounds is it contended that every adult male worker should receive enough to support a family of five and to what extent are they valid?
29. From the standpoint of need should a bachelor receive as much as the head of a family of five or six? Is there any method of paying those who have dependents a higher minimum than those who have none which will not injure the chances of those with dependents of being employed? Work out in detail and discuss some of the further problems that would be created:

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CHAPTER X

WOMEN'S WORK AND WAGES

1. THE NUMBER AND DISTRIBUTION OF WOMEN GAINFULLY EMPLOYED IN 1920[1]

How many women are at work in the United States? What do they do? Has their number increased or decreased during the last few years? The replies to many of these questions are to be found in several bulletins on occupation statistics recently issued by the Federal Bureau of the Census.

During the past few years, every time a woman invaded an occupation hallowed for generations as a pursuit for men only, attention was called to the fact by the woman's coworkers and in some cases by the press. The publicity given these changes in the occupational status of women caused the public to believe that a large and increasing proportion of women were seeking employment outside the home. When a woman dropped out of domestic service or gave up dressmaking to work in a munition factory or to become a street-car conductor, the entire community heard of her new employment, but no one mentally subtracted her from the ranks of those in her former occupation; and so the impression gained ground that vast numbers of women were taking up gainful occupations for the first time.

This impression is not upheld, however, by census statistics. In continental United States 8,549,511 women 10 years of age and over were gainfully occupied on January 1, 1920. This number represents an actual increase since 1910 of nearly half a million; but if the increase in population be taken into consideration, the proportion of all women 10 years of age and over gainfully occupied decreased from 23.4 per cent in 1910 to 21.1 per cent in 1920.

On the whole, the great change seems to have been in a decrease among women working in or for the home and in personal-service occupations, and a corresponding increase in clerical and allied occupations, in teaching, and in nursing, all of which have been women-employing occupations for many decades but have not before reached such numerical importance.

Contrary to general impression, women seem not to have gone into absolutely new occupations to any great extent. They had, however,

[1] Taken from U.S. Women's Bureau, *Bulletin No. 27*, pp. 1–4, 8.

enlarged their field of work by entering in greater numbers occupations in which formerly they had but scant representation.

TABLE LXI

NUMBER AND PROPORTION OF ALL WOMEN TEN YEARS OF AGE AND OVER ENGAGED IN EACH GENERAL DIVISION OF OCCUPATIONS, 1920 AND 1910*

General Division of Occupations	1920		1910	
	Number of Women	Percentage of Women 10 Years of Age and Over	Number of Women	Percentage of Women 10 Years of Age and Over
Population 10 years of age and over	40,449,346	100.0	34,552,712	100.0
All occupations	8,549,511	21.1	8,075,772	23.4
Agriculture, forestry and animal husbandry	1,084,128	2.7†	1,807,501	5.2†
Non-agricultural occupations:	7,465,383	18.5	6,268,271	18.1
Extraction of minerals	2,864		1,094	
Manufacturing and mechanical industries	1,930,341	4.8	1,820,570	5.3
Transportation	213,054	.5	106,625	.3
Trade	667,792	1.7	468,088	1.4
Public service (not elsewhere classified)	21,794	.1	13,558	†
Professional service	1,016,498	2.5	733,891	2.1
Domestic and personal service	2,186,924	5.4	2,531,221	7.3
Clerical occupations	1,426,116	3.5	593,224	1.7

* The decrease during the decade 1910 to 1920 in the proportion of all women 10 years of age and over who were gainfully occupied is to some extent apparent only and may probably be attributed to three main causes: 1. The change in the census date from April 15 in 1910 to January 1 in 1920—from a very busy farming season to a time of the year when all farming activities are at their lowest ebb. This change in date probably resulted in a great reduction in the number of women returned in agriculture, forestry, and animal husbandry, though the returns for men apparently were to a less extent affected by the same circumstance. 2 An overstatement in 1910 of the number of women engaged in agriculture. The Census Bureau in 1910 estimates this overstatement at almost half a million. 3 A great decrease in the employment of girls 10 to 15 years of age.

2. WOMEN'S WAGES IN THE UNITED STATES[1]

After noting a fairly general agreement that "living wages" for women under American conditions would be more than $8.00 per week in 1914 and that $7.00 represents about the level of a bare existence, Persons summarized the results of investigations of women's wages prior to 1915 as follows: There is available a wealth of data which serves to reenforce the conclusion that of women at work i.e. those 16 years of age and over, outside the homes and professions, almost half

[1] Adapted with permission from an article by C. E. Persons in the *Quarterly Journal of Economics*, XXIX (1915), 201–34.

earn less than $6.00 in a representative week; and approximately three-fourths less than $8.00.

Aside from the loss caused by unemployment, the earnings of women fall below the level approved by wage commissions for various reasons. Of considerable importance is the fact of the immobility of the female labor force. Women are less independent, less able to move than are men. The husband and father is the chief wage earner, and other members of the family perforce accompany him to his most advantageous location. Men flow naturally to any point offering opportunities for labor. It seems more natural for the employers of women to take his plant to the labor force. This interference of family ties with the mobility of woman wage earners results in congestion and consequent low wages in certain localities or even in sections of particular localities. This would seem the true reason for the lack of standardization in women's wage noted by certain investigations. Ten cents a day for carfare may easily negative search for employment beyond walking range if the weekly wage be very low. This factor, however, is of local importance only. However much it may oppress the individual worker or whatever its effects in dictating the location of women employing industries, it does not affect the general wage level.

Age and wage.—Of prime importance in determining the low wage of women workers is the question of age. Youth and low earning capacity are found together. The numbers reported in the cotton industry in the age groups are highly suggestive. In New England the years 16 to 20 inclusive include almost a third of the women reports; in southern mills, almost half. Similarly in the men's clothing industry, full earning capacity is reached at 21, and maintained to 45 years of age. About 35 per cent of those within these ages earned more than $8.00 per week, while of those 16 and 17 only one-ninth earned so much, and of those 18 to 20 only one-fourth. It is then highly significant that more than half of the 10,700 workers covered were under 21 years of age.

Combination of the statistics of twelve important industries reported by the Bureau of Labor gives the results in Table LXII (p. 327).

The combined results thus secured are similar to those in the cotton and men's clothing industries. Full earning capacity is not reached before 21 years of age. Yet you note that there were more workers aged 16 to 17 reported than from 21 to 24; and more aged 18 to 20 than for all ages 25 and over. This is the combined result of twelve important industries.

Available data, then, suggest that of all women at work in America in manufacture and trade almost one-fourth are from 16 to 20 years of age. Of this fourth probably half earn under $6.00 per week, and 80 per cent under $8.00. Another fourth are from 21 to 25 years of age. Of these one-third earn under $6.00, and from 60 to 70 per cent under $8.00. The smaller numbers of more advanced ages employed do not receive higher average wages. It is an evil combination that is found here; lack of skill, training, and experience, joined with the irresponsibility of youth, and great congestion in the labor market. The recurring statement in the bureau report is that the demand on these female workers is for dexterity and speed. These qualities are possessed in youth and are offered in abundance. Skill and training these workers neither have nor attempt to acquire. For their work-

TABLE LXII

AGES AND WAGE GROUPS IN TWELVE SELECTED INDUSTRIES

Age	Number	Percentage Under $4.00	Percentage Under $6.00	Percentage Under $8.00	Percentage Over $8.00
16–17	9,918	28.4	59.0	91.5	8.4
18–20	13,769	19.2	57.1	79.9	20.1
21–24	8,617	10.1	35.3	69.1	30.9
25 and over	11,904	12.6	36.8	66.1	33.9

ing life is to be short and they are forced by economic pressure to seek the highest present earnings. They have followed their work from the home to the factory. Through marriage they intend to make good their retreat to the home. This expectation is realized; for omitting the negro women, less than 4 per cent of married women are returned as breadwinners. The higher earnings reported for women, then, are received by comparatively few, those remain in the shops after the great mass of their fellow workers have left. Their gain in experience and skill accounts for part of the gain in wages; increased seriousness and steadiness for more. They earn more. But the evidence shows little progress after 21, and less after 45. Here, then, is a worthy suggestion for another line of attack upon the low wages of women aside from minimum wage laws. Every rise in the age limit for entering employment; every agency for better training; every influence lengthening the period in home and school exerts a more proportionate influence on wages. For it attacks the problem at the point of greatest intensity. It relieves the extreme pressure of over-competition in the labor market exerted by those having only docility, deftness,

and speed to offer. It alleviates the self-exploitation of these over eager sellers of the qualities of youth.

Race.—Of scarcely less importance than the question of age is that of race. Consider first, evidence from the cotton industry correlating age, race, and wages. The basis of comparison followed here is hourly earnings. This avoids the disturbing effects of fluctuations in employment. The report covers over 8,000 female workers in Massachusetts cotton mills. It indicates a strong massing in the years 16 to 24 inclusive, nearly half of the female workers being of those ages.

The most significant fact in the table is that the Americans and each of the races of older immigration have maximum earnings in excess of those for all workers and in general attain their maximum efficiency as late or later. On the other hand, the races of newer immigration have lower maximum earnings and in general attain their highest efficiency in a much earlier age period.

Similar evidence is drawn from the men's clothing industry. Further evidence of the relation of race to the question of wages and more particularly of the relation of recent immigration to the question of low wages for women workers all lends support to the general conclusion that among the youthful and ill paid female wage earners, the immigrant women are the worst paid of all. What happens is that these women, lacking knowledge of American conditions, of the language and of the condition of the labor market, without specialized skill, training or aptitude, with the lowest standards of living, and driven by the severest economic pressure, snatch eagerly at any opportunity for employment and any wage which may offer.

To these disabilities they add that of extreme youth. The Census of 1900 shows that nearly 50 per cent of all foreign born women aged 15 to 24 years were at work. The corresponding figures for the native born white classes are 20. One per cent for those of native parentage, and 37.5 per cent for those of foreign parentage. All these handicaps can only be overcome by accepting lower wages and harder conditions of employment. The ready acceptance of both conditions by recent immigrants has earned for them the ill will of their fellow workers, and has often resulted in discriminations against them by employers.

It is well known that these foreign born women are for the most part, not independent workers, but members of families. They live at home and the great majority of them turn their earnings into the family treasury. The youthfulness of women at work would suggest that this was the typical situation of all nativity groups. Such a

situation would have large influence on the wage situation. An answer to the question, what proportion of working women live at home, is found in the Bureau of Labor's investigation of stores and factories. This shows that 77 per cent of over 2,000 women in stores, and 82 per cent of over 5,000 women in factories live at home.

Are women workers members of families with other breadwinners.—Of importance also is the number of breadwinners found in the families of which these workers were a part. Of the 905,000 women included in the 1900 Census study of the family relationships of working women, 70 per cent were living in families in which there were other breadwinners. Considering only the single women, 73.6 per cent were living in families with other wage earners present. The percentage rises to 82.7 per cent for single workers of foreign parentage, and is 66.8 per cent for those of foreign birth. Of the 678,000 single women included, 19.1 per cent are boarding and but 6.5 per cent of those in homes are in families in which there is no other wage earner. It may be added in regard to the 19 per cent boarding, that it by no means necessarily follows that they are all dependent entirely on their own resources.

Investigation of the expenditure of earnings disposes effectively of the importance of the "pin money" worker as a determining factor in wages. Recent reports are a unit in declaring that such workers are the rare exception; too few to seriously affect the general situation. Further, the investigations show conclusively that the larger part of the earnings of women living at home is turned into the family treasury. Thus in the Massachusetts report it is stated that 78.5 per cent of the candy workers gave all they earned to the family; 20.3 per cent gave part. Among store workers, where the result is not affected by the presence in large numbers of foreign workers, 61.8 per cent gave all, 39.4 per cent gave a part. It is noted that the age runs higher among these workers. The laundry workers make a similar showing; 60 per cent contribute all their earnings; 39.1 per cent a part. Figures for the glass industry allow a nativity comparison. It is shown that 227 children, 16 years of age and over, contribute 86.4 per cent of their earnings to the family. The native born whites of native parentage gave 81 per cent; those of foreign parentage 85 per cent and the foreign born over 90 per cent. In the case of races of the newer immigration practically all the wage goes to the family treasury. Particularly in the case of the Slavs and Italians, it is declared "a social custom for the mother of the household to act as treasurer and to

receive the earnings of the working members." Some part of the wage may occasionally be returned to the older children.

The "pin money" fallacy.—It boots little to multiply illustrations, for the conclusion reiterated and enforced by the unanimous declarations of the investigation of many industries and localities of the various nativity groups and races, and at all ages, is that the typical female workers are the 80 per cent living at home and contributing the larger part of their earnings to the family treasury. The "pin money" worker is proven a false, if not a "vicious" theory. Twenty per cent of the girls at most are independent workers. The remainder —a proportion great enough to be controlling—are constituent parts of a closely knit family group. The pains of their labor are reckoned in the sacrifices of the family; their earnings merge in the family income. Though the effect of this condition has been well enough understood by the employers, it has been misinterpreted on the basis of the "pin money" theory. It has not been recognized, or at least not accepted, in the current minimum wage reasoning. There, it has been postulated that the female worker is, or at least ought to be, an independent worker entitled to sufficient wages for full self-support. Any industry paying less is forthwith termed parasitic. However desirable this may be from an ideal standpoint, the actual situation is otherwise. The true social unit here is the family. It has a certain potential labor supply. Its members have certain desires for leisure, for education, for the various goods that make up income. They escape the pains of labor when possible, saving their necessary or strongly desired income. Normally, in the long run, workers cannot be secured for less than an income sufficient for full support at the established standard, including allowances for support in the period of youth and old age, for training and for the replacement fund. But temporarily the wage may fall in evil times to the minimum sufficient for the scantiest supply of food. The satisfaction of all other wants is deferred to a more favorable season. It is better to labor for the pittance than to starve. In the family a similar situation exists. The father's wage is insufficient for the family needs at the customary standard. If the daughters were independent units in the labor supply and if there was no pressure of economic necessity, the wage offered must be as large as full support for the present and past years would request. But *since the family must maintain all its members in any case, it takes stock of its available labor and*

sells at the market rate. As in the case of railroad transportation, the price may fall in the worst case near to the extra cost involved in performing the extra service. In this case this service is represented by the labor performed by the daughter. The family foregoes the payment for the period of youth and training. There is nothing to set aside for old age. Recreation is foregone; education neglected. The wage may be less than the necessary cost of the daughter's support. But that support is a part of the irreducible "fixed charges" of the family treasury, and if the labor of the child will yield any contribution to the hard pressed exchequer of the family, it is accounted worth while—even necessary. This is quite as true and quite as well justified by the logic of the situation as the cut rate offered by the traffic manager of the bankrupt railroad.

It is this bankrupt condition of the working families that dictates the entrance of youthful female workers into industry. It is severer pressure met by lower economic strength that causes an increase of the percentage of females, 16 to 20 years of age and at work, from 20.8 per cent for the native born of native parentage to 40 per cent for those of foreign parentage and to 56.8 per cent for those of foreign birth. Wages are low for women at work primarily because with the increasing pressure of population, and the influx of families bringing low standards of living joined with scant industrial efficiency, it becomes necessary for more members of the family to bear a portion of the family's labor sacrifices and this through a longer term of years. The inevitable result is severe competition among these workers of lowest standards, least skill and efficiency, and consequent low wages. Thus dictated by necessity, it is justified by results in the economics of the individual families. It is unjustifiable only from the larger viewpoint of its effect on the character of the national citizenship. It is from this viewpoint that it is attacked with the weapon of minimum wage laws, and rightly so. But there is certain loss involved in misinterpretation of the character of the position attacked. One error of the forces backing this legislation lies in regarding each female worker as an independent labor unit. Instead *the true labor unit is the family.* Despite the change following the industrial revolution, solidarity and cooperation in the bearing of labor sacrifices are still the typical condition there. The wage of the working woman can only be understood when the interpretation is made on that basis.

3. WOMEN'S WAGES SINCE THE WAR

a) WOMEN'S WAGES AND HOURS OF LABOR IN THE COUNTRY AS A WHOLE IN 1919[1]

This survey was conducted during the period September, 1918—June, 1919, in twenty-eight industries, located in forty-three states, and covered plants employing 404,758 wage-earners, both men and women. Approximately 95 per cent of the schedules were for periods from December, 1918, to May, 1919, inclusive. The survey in the main, therefore, covers the post-armistice period. The material collected concerning the number of hours actually worked and the earnings per hour is classified in respect to (*a*) industry, (*b*) sex, (*c*) state.

The following table perhaps, summarizes the general results more concisely than those of the Bureau.

TABLE LXIII

HOURS WORKED PER WEEK AND EARNINGS PER HOUR OF FEMALE EMPLOYEES

Hours Worked per Week				Earnings per Hour			
Number of Hours Worked per Week	Number of Employees	Percentage	Cumulative Percentage	Earnings per Hour in Cents	Number of Employees	Percentage	Cumulative Percentage
Under 24...	4,284	5	5	Under 16.	4,384	5	5
24–30.....	2,775	3	8	16–20....	9,144	11	16
30–36.....	4,829	6	14	20–25....	17,143	20	36
36–42.....	9,943	12	26	25–30....	17,246	20	56
42–48.....	20,261	24	50	30–40....	23,455	27	83
48–54.....	31,805	36	87	40–50....	9,846	11	94
54–60.....	11,187	12	99	50–60....	3,176	4	98
Over 60....	728	1	100	60–70....	917	1	99
				Over 70..	501	1	100
Totals...	85,812	100	100	Totals..	85,812	100	100

For men the average number of hours worked per week was 45.6, and the average earnings per hour were 56.1 cents. The average weekly earnings for men were, therefore, $25.61.

This general table indicates the following conclusions: For women the hours worked per week averaged 45, the hourly earnings 30.1 cents, or average actual weekly earnings of $13.55.

The 1903 Census Report on Employees and Wages showed that the average wage for women was approximately one-half that for men.

[1] Adapted from article by Paul H. Douglas in the *Journal of Political Economy* (January, 1921), pp. 78–80, reviewing *Industrial Survey in Selected Industries in the United States*, 1919. Preliminary report. United States Bureau of Labor Statistics, Bulletin No. 265.

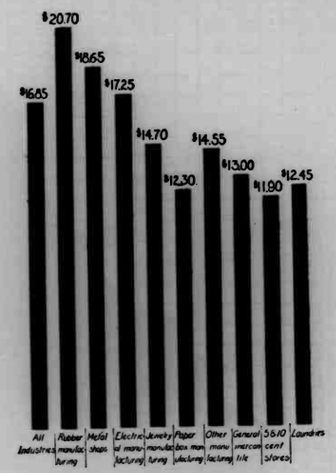
This proportion seems to hold today; *if this study is representative, there has been no decrease in the disparity of wages between the sexes.*

b) WOMEN'S WAGES AND HOURS IN A HIGH-WAGE STATE: RHODE ISLAND, 1920[1]

Extent of Survey.—In the 70 establishments visited the total number of women was 10,352, distributed as follows: 84.5 per cent

CHART A

MEDIAN WEEKLY EARNINGS OF WOMEN IN RHODE ISLAND



in manufacturing establishments, 13.9 per cent in stores, and 1.7 per cent in laundries.

Hours.—Hour data for 69 plants showed:

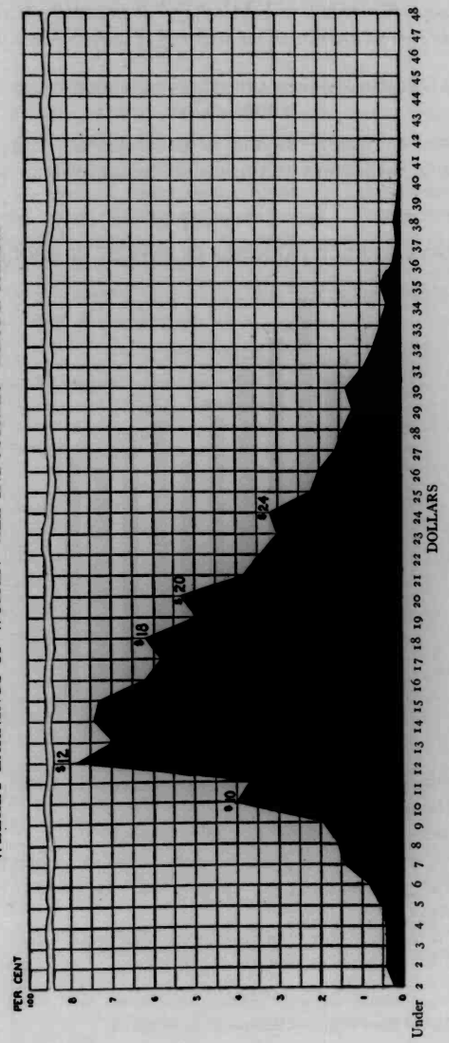
(*a*) a schedule of 48 hours a week or less in 32 plants employing more than one-half (53.5 per cent) of the total number of women in the survey.

(*b*) a schedule corresponding to the legal weekly limit of 54 hours a week in 5 plants employing 6.5 per cent of the total number of women.

[1] Adapted from Women's Bureau, *Bulletin No. 21.*

CHART B

WEEKLY EARNINGS OF WOMEN—ALL INDUSTRIES—RHODE ISLAND



Wages.—Data on weekly and yearly earnings revealed the following:

1. The median weekly earnings for 7,780 women in all industries included in the investigation were $16.85, in manufacturing establishments $17.85, in stores $12.95, and in laundries $12.45.

2. The median weekly earnings for 3,714 time workers were $14.55 and for 3,417 pieceworkers $20.35.

3. The median yearly earnings of 617 women in all industries were $829, in manufacturing establishments $857, in stores $699, and in laundries $767.

4. Of all women in all industries nearly one-fourth (23.2 per cent) earned less than $13 a week and 7.7 per cent less than $10. From one-half to three-fourths of the women employed in laundries, paper-box factories, and 5-and 10-cent stores earned less than $13 a week, about one-quarter earning less than $10.

5. Women were at the height of their earning power between 25 and 40 years of age. Earnings after 40 years of age decreased less in proportion for women in general mercantile establishments and laundries than in other industries.

Wages and hours combined.—By far the largest group of women—3,125 women, or 46.8 of the total number—is found in the 48 to 51 hour classification, with median earnings of $17.75.

c) WOMEN'S WAGES IN A MEDIUM-WAGE STATE: KANSAS, 1920[1]

CHART C

MEDIAN WEEKLY EARNINGS BY INDUSTRY IN KANSAS

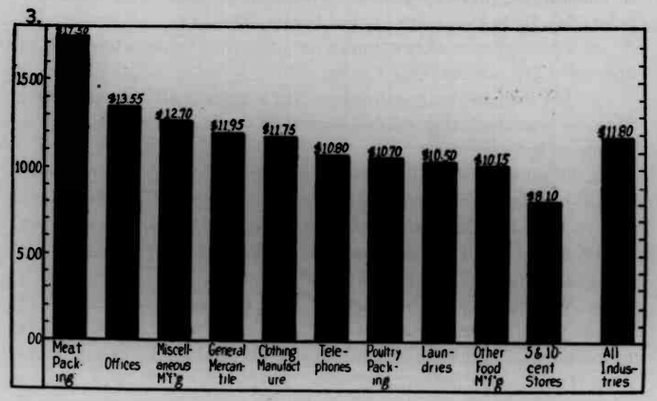


TABLE LXIV

MEDIAN WEEKLY EARNINGS BY INDUSTRY

Meat Packing	$17.50	Telephones	10.80
Offices	13.55	Poultry Packing	10.70
Miscellaneous Manufacturing	12.70	Laundries	10.50
General Mercantile	11.95	Other Food Manufacturing	10.15
Clothing Manufacture	11.75	Five and Ten-Cent Stores	8.10
		All Industries	11.80

d) WOMEN'S WAGES AND HOURS IN A LOW-WAGE STATE: GEORGIA, 1920–21[2]

The facts discussed in this report were obtained from two surveys. The first, begun May, and completed July, 1920, was made in the city of Atlanta. The second survey was made several months later, between February and April, 1921, and included the entire State, exclusive of Atlanta.

[1] Adapted from Women's Bureau, *Bulletin No. 17.*

[2] Adapted from Women's Bureau, *Bulletin No. 21.*

CHART D

WEEKLY EARNINGS OF WHITE WOMEN, ALL INDUSTRIES—GEORGIA

(Including Atlanta)

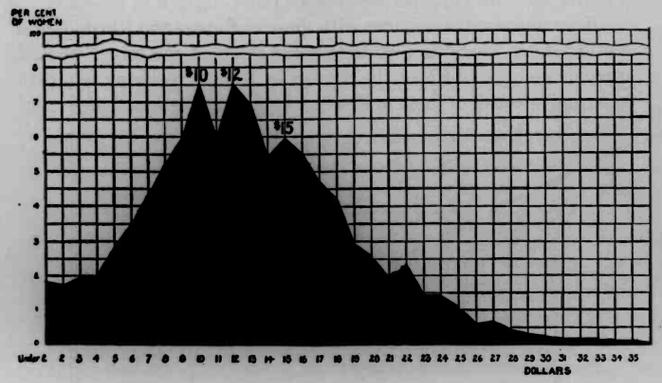
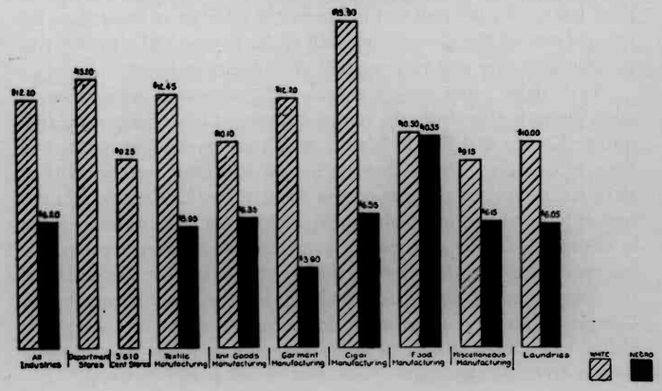


CHART E

MEDIAN WEEKLY EARNINGS BY INDUSTRY—WHITE AND NEGRO—GEORGIA



The median weekly earnings in the different industries during the late pay-roll period were as in Table LXV.

The proportion of white women who earned less than $8.00 a week is nearly one-fifth (19.2 per cent) of all those engaged in industry.

If we compare these figures with those of Kansas and Rhode Island —other states where surveys were made at about the same—we find approximately one-fifth of the women in Kansas receiving less than $9.00 and one-fifth of those in Rhode Island receiving less than $12.50.

TABLE LXV

	White Women	Negro Women
All industries	$12.20	$ 6.20
Department stores	13.20	*
Five and ten cent stores	9.25	*
Textile manufacturing	12.45	5.95
Knit-goods manufacturing	10.10	6.35
Garment manufacturing	12.20	3.90
Cigar manufacturing	15.00	6.55
Food manufacturing	10.50	10.35
Miscellaneous manufacturing	9.15	6.15
Laundries	10.00	6.05

* Not computed, owing to small number involved.

Hours.—Hour data for 102 plants showed: Weekly —A schedule of more than 54 hours for 72.7 per cent of the women; a schedule of 48 or less for 1.5 per cent of the women; a schedule of 60 or more for 27.2 per cent of the women; one-half of the women had a workday of 10 hours and over and 14.4 per cent of 11 hours and over.

That these hours are excessively long compared with those in other places is clear from the record of hours in two widely separated states—Kansas and Rhode Island—which are in striking contrast to those of Georgia. Establishments having scheduled weekly hours of 48 or less comprised 55.7 per cent of those visited in Kansas, 46.4 per cent of those visited in Rhode Island, and 8.8 per cent of those visited in Georgia. The longest weekly hours in Kansas were reported for two establishments whose weekly hours were 56, while in Rhode Island the longest hours were 54, scheduled in five establishments. In Georgia, as already stated more than one-half of the establishments visited had a week of over 54 hours and more than one-quarter had a week of 60 hours and over.

4. PRINCIPLES OF FIXING WOMEN'S WAGES[1]

The principle of determining wages by family obligations.—It is habitually pleaded as a complete justification for the existence of a female rate, out of all proportion lower than the male rate for analogous occupations or jobs, that the man's wage covers the maintenance of a family, whereas the woman has only herself to keep. Even when the employer is getting the same output and the same value from women as from men, he has usually seen no impropriety in paying the women as a customary female rate, two-thirds of what he paid to the men for the same work, as a customary male rate.

The principle of determining wages by family obligations must be rejected.—The unmarried man does not receive something less than the standard time wages because he has fewer responsibilities than the married man; nor does the childless man get less than the father of a large family. In so far as the matter is left to unfettered individual competition, or to collective bargaining, the employers in any industry, taken as a whole, pay to the several grades of men whom they employ only what they are compelled to pay by the relative "supply and demand" of labour of the kind required at the particular time and place, or according to the standard rates for whole classes of labour that the Trade Unions have been able to enforce. The idea of varying the piece-work rate of different men in the same workshop according to their several family responsibilities never enters the head of any employer.

The principle of the vested interest of the male.—The long-continued exclusion of women from nearly all the better-paid occupations has been largely the result of the assumption that these occupations were the sacred preserve of men. Throughout the whole realm of manual labour the women have found equally closed against them, prior to the war, the occupations which had gained a relatively high occupational rate, together with the opportunities for training which might have enabled them to prove their competence and aptitude for the work.

The outcome, down to the war, was a very general segregation of men and women in industry, the two sexes being very seldom employed on the same kinds of work, or in the production of exactly

[1] Adapted with permission from Mrs. Sidney Webb, *The Wages of Men and Women: Should They be Equal?* pp. 15, 17–23, 42–44, 46, 53–54. (Fabian Society, London, 1919.)

the same articles. Whether the segregation of the sexes in industry was influenced by custom and convention, or determined by relative aptitude, its result upon wages was to give rise to markedly different rates of remuneration for what was recognized as a "man's job" and what as a "woman's job." It must be said that these markedly contrasted "men's rates" and "women's rates" bore no definite proportion to the physiological or mental expenditure of the workers of the two sexes in their several tasks, whether measured by their "efforts and sacrifices," or merely by time. Nor does it appear that the several rates were proportionate to the value of their service to the capitalist employer or to the manager for the municipality. We see no manner in which the relative value could be computed of such contrasted services as the continuous delicate sorting or gauging or adjusting of minute components, which experience shows to be more efficiently done by women than by men, and the shifting of pig iron in the yard, for which the brute force of men of great strength is indispensable.

The formula of equal pay for equal work.—We have still to mention what is at the moment the most fashionable formula on which it is assumed that the relation of men's and women's wages should be determined, namely, that of "Equal Pay for Equal Work." This can hardly be said to be an accepted principle, because there is no common interpretation of its meaning. In one sense "Equal Pay for Equal Work" has reference to the physiological and mental results to the operative. To the manual worker the giving up of a definite part of his daily life at a particular task seems the main factor, and this justifies to him the time rate for each particular occupation.

In respect of the wages of the manual workers the more popular interpretation of "Equal Pay for Equal Work" has reference to the quantity and quality of the product, irrespective of the effect upon the several operatives. The product can, in some industries, be measured with sufficient accuracy to enable it to be made the basis of wage-determination.

This commonsense interpretation of "Equal Pay for Equal Work" does, however, not meet with the approval of the employers in many industries. They urge that the wages of the workshop are not the only elements in the expenses of production. "Supposing you were going to employ nothing but women," we are told by the representative of the United Tanners' Federation, "I should say that could be only if the wages are lower. You could not get the same output from the

same area, the same plant, the same machinery, if you employed female labour entirely."

Another reason is given by the employers for a lower rate of payment even on piecework to women than to men. "Equal pay should not be given to men and women engaged on the same or similar work," we were told by a representative of the Cycle and Motor Industry, "it is a question of comparative total efficiency, i.e., a woman punching a ticket on a tram car may appear to be equal to a man. She, however, has not the same potential value, and would not be so useful as a man in the case of emergency, such as a breakdown, runaway, row, etc."

The formula of equal pay for equal work must be rejected, but only because of its ambiguity.—We have seen that this formula has no precise meaning and is diversely interpreted by the persons concerned as (1) equal pay for equal efforts, and sacrifices; (2) equal pay for equal product; (3) equal pay for equal value to the employer. Hence any adoption of the formula would lead to endless misunderstanding between employers and employed, and increased industrial friction.

Provision for the dependents.—I suggest that in the adoption of any principle whatever for the determination of wages, not merely between men and women, but between any other sections of the wage-earning population, the community must face the necessity of seeing that adequate provision is made for children not by statistical averages, but case by case. The "average" family is, of course, merely a convenient figment of the statisticians, and does not exist in fact. If provision is made in one way or another for three children, this is very far from securing enough food and adequate conditions of nurture for those households in which there are for years in succession four, five or more children dependent. The nation cannot be satisfied, any more than the children can, with a family or household "average" of rations for the rising generation. Each individual baby has got to be adequately and satisfactorily provided for. This cannot be done under any system of wages; nor can the adoption of any conceivable principle as to the relation between men's and women's wages achieve this end. In the actual course of nature the distribution of children among households varying from none to a dozen or more; the number who are simultaneously dependent on their parents varying from one to more than half a dozen; and the time in each family over which this burden of dependent children extends varying from a year or two to ten times that period—bear, none of them, any relation to the industrial efficiency either of the father or of the mother; or to the wage

that either or both of them could obtain through individual bargaining by the higgling of the market; or yet to any actual or conceivable occupational or standard rates to be secured for them either by collective bargaining or legislative enactment.

It will be necessary for the state to provide, through the parents, for the maintenance of the children during the period of their economic dependence. A children's allowance on the scale of the present separation allowance, payable to the mothers in all the households of the United Kingdom, would cost something like 250 millions sterling annually, which (as may be mentioned by way of comparison only) would be equal to about a half of the proceeds of the existing Income Tax, Super-tax, and Excess Profits Duty.

It has been suggested that this charge might be thrown, at any rate in part, upon employers of labour by a weekly stamp duty analogous to the charge under the National Insurance Acts, of an identical sum for each person employed, of whatever age or sex. The proceeds could then be distributed, subject to the necessary conditions, at the rate of so much per week per child, through the local health or local education authorities, to all mothers of children under the prescribed age.

5. THE DEPENDENTS OF WOMEN WORKERS[1]

We try to answer the following question: "In fixing minimum wages for women, should any allowance be made for dependents, and if so, for how many?"

Definition of a dependent.—For the purpose of this inquiry we regarded a person as dependent, or partially dependent, on a worker, *if the latter's wage, whether large or small, had to be shared* between the two, *but no equivalent in service was demanded* from the former. For instance, if three or four daughters were earning, and they contributed to their widowed mother who looked after the home a sum not in excess of that which they would have paid for similar accommodation if lodging with strangers, they would really be employing their mother as their housekeeper, and would not be considered as having dependents. If, on the other hand, the mother were an invalid, and the girls looked after her and themselves, or if on her account they paid a sum in excess of what would normally be paid for equivalent accommodation, they would be considered as partly supporting their mother.

[1] Adapted with permission from Rowntree and Stuart, *The Responsibility of Women Workers for Dependents* (1921), pp. 6–7, 29, 7–10, 15, 17, 19–21, 31, 32, 36–42.

Take the case of a girl belonging to a family where the earnings of the chief wage-earner are too low to maintain his wife and young children in a state of physical efficiency. She pays no more for board and lodging than she would have to pay if lodging with another family. Possibly, indeed, she pays less. Yet, we have regarded her as partially responsible for the support of dependents, because, owing to the household's poverty, her earnings constitute an important part of the total income. On the other hand, we have not regarded a girl as having dependents, even if she pays more than the market price for her board and lodgings, if the income of the chief wage-earner is sufficiently high to render such action on her part unnecessary.

The result of the investigation.—The total number of houses called at in the eleven towns investigated was 67,333, and in these we found 13,637 women workers aged 18 years or over.

Out of the 13,637 working women concerning whom we obtained information, 11,982 or 87.94 per cent supported themselves only, and 1,645 or 12.06 per cent wholly or partially supported others.

The proportion of working women who have dependents varies greatly according to their age. It is under 7½ per cent at ages 18–20, and rises steadily till the age group 36–40 is reached when no less than 28 per cent of working women have persons wholly or partially dependent on them. After this, the proportion drops again as the age advances, falling to 6 per cent of women over 60.

The full figures are given in the following table:

TABLE LXVI

Age Groups	Total Women Workers Investigated	Women Workers with Dependents	Percentage of Total Women Workers	
18–20	4,970	369	7.42	8.79
21–25	4,503	464	10.32	
26–30	1,843	297	16.11	19.5
31–35	685	166	24.23	
36–40	725	203	28.00	
41–50	584	114	19.54	
51–60	227	26	11.45	
Over 60	100	6	6.00	
Total	13,637	1,645	12.06	

In considering the table it must be borne in mind that although the proportion of the older women who have dependents is high, their total number is comparatively small. Of the 1,645 women with

dependents whose cases we investigated, over half were under 26 years of age, while two-thirds were under 30. Only 369 belonged to the age groups 31–40, where the proportion of women having dependents was very high.

Having now dealt with the proportion of working women who have dependents, we may next inquire how many dependents they have.

It would have complicated matters unduly to estimate the burden of maintaining a child according to its age, and so we have, in all cases, assumed that the burden of maintaining a child, of any age, was two-thirds of that of maintaining an adult.

Working on these lines, and taking each child, irrespective of age, as equal to two-thirds of an adult, we get the following results. Out of 1,645 women workers with dependents, 2 were responsible for 4 or more adults; 5 for between 3 and 4 adults; 16 for between 2 and 3 adults; 57 for between 1½ and 2 adults; 295 for between 1 and 1½ adults; 876 for between ½ and 1 adult; 394 for less than half an adult.

The average number of dependents which the women workers had to support was 0.71, or a little under three-quarters of an adult.

In our inquiry we dealt with 1,757 married women and widows, of whom 23 per cent had dependents, whereas amongst the single women we investigated, only 10.45 per cent had dependents.

The reasons why women workers have dependents.—Our investigation disclosed the following important facts, namely, that two-thirds of the cases in which women workers are responsible for the maintenance of dependents are due to the death of the normal breadwinner, i.e., either the father or the husband, and that the illness of the father or the husband accounts for a further 12.6 per cent of the cases. The remaining one-fifth of the cases are due to a number of miscellaneous causes.

In view of the facts disclosed by this investigation, it cannot be taken as normal that women workers have others to support besides themselves. It follows, therefore, that if minimum wages are to be based on normal conditions (and no other method appears practicable), the minimum wage for a woman should merely be the sum which is sufficient for her own maintenance, in health and comfort, with a margin for contingencies and recreation.

We must, however, face the fact that such a wage no more meets the case of the woman worker with dependents than a minimum wage based on a man's normal needs would meet abnormal conditions in his case.

It would not, however, be impracticable to adopt within a reasonable period a scheme of social insurance which would cover the principal risks and contingencies.

In 6.34 per cent of the cases examined, the responsibility of women workers for dependents arose because the breadwinner's wages were too low to maintain even a normal family, or because the size of the family was abnormal.

Taking all the causes which lead to the responsibility of women workers for dependents, we find that 65 per cent of them would be obviated by the adoption of an adequate scheme of widows' pensions, and 12½ per cent by increasing of the grant paid to chronic invalids under the National Health Insurance scheme to an amount sufficient for complete maintenance. A further 6 per cent would be obviated by the payment of an adequate minimum wage, and the granting of state aid to wage-earners who had more than three dependent children. If these measures were adopted, only 15 per cent of the women workers who maintained dependents would be left to deal with.

6. A MINIMUM BUDGET FOR WORKING WOMEN IN 1919[1]

The following, accordingly, is the sort of full temporary independence budget that the writer, pending fuller information on family costs considers to have been adequate but conservative for a working woman in Philadelphia, a fairly typical eastern city, in January, 1919.[2]

FULL "TEMPORARY INDEPENDENCE" BUDGET MINIMUM WEEKLY RATES

Boarding		
Room, board, lunches, and partial laundry	$9.05	
At Home		
Daughter's share of housekeeping expenses, plus mother's services	$7.80	
Daughter's subsidy to family	1.25	
Total	$9.05	... $9.05
Carried forward		$9.05

[1] Adapted from Dorothy W. Douglas, "Cost of Living for Working Women," *Quarterly Journal of Economics* (February, 1920), pp. 257–58. (Harvard University Press.)

[2] The cost of living since that date has not declined materially. By June, 1922, it had fallen about 4 per cent.

Brought forward		$9.05
Clothing ($130.00 a year)		$2.50
Toilet articles, soap, etc. ($5.20 a year)		.10
Carfare (10 cents a day)		.60
Health ($21.00 a year)		.40
Stamps and stationery (25 cents a month)		.06
Amusements (movies, ice cream, etc.)		.35
Vacation:		
Room and board, 1 week	$10.00	
R. R. fare	2.00	
Spending money	1.00	
Other trips over night	1.60	
	$14.60	
Money saved on regular meals and carefare during vacation	$6.80	
Net cost of vacation	7.80	.15
Education (papers and magazines)		.15
Extra carfare (10 cents every two weeks)		.05
Dues		.05
Church and charity		.15
Christmas presents, etc. ($3.65 a year, excess of gifts given over gifts received)		.07
Insurance ($13.00 a year)		.25
Other expenses (unforeseen $3.65 a year)		.07
Loss of wages, 1 week's illness ($15.00)		.30
Loss of wages, 1 week's vacation or unemployment ($15.00)		.30
Savings ($21.00 a year)		.40
Total		$15.00

PROBLEMS

1. (*a*) What proportion of women in the United States were gainfully employed in 1920? In 1910? Comment.
   (*b*) To what extent are women entering new avenues of employment?
   (*c*) What occupations show the greatest increase? The greatest decrease?
2. Compare the age of the average working woman with the age of the average working man; the duration of wage-earning employment. What bearing do these factors have upon the positions at which women are engaged in industry?
3. Women's wages average approximately half those of men. How do you explain this?

4. It is advocated by many that women as compared with men should receive "equal pay for equal work." What does this phrase mean? Do women in general perform "equal work" with men now? Why or why not?
5. "Women are compelled as a rule not only to support themselves but to provide a large part, in many cases all, of the support of other persons as well. An adequate minimum wage rate should therefore cover the cost of living for dependents, and not merely for the individual" (Womens Bureau, U.S. Dept. of Labor). Comment.
6. Do women's wages tend to lower men's wages? If so, in what ways? If not, why not?
7. What effect would bringing women's wages to an equality with men have upon (*a*) the employment of women? (*b*) men's wages?
8. What percentage of working women live at home and what percentage away from home?

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CHAPTER XI

HOURS OF LABOR

A. General Aspects

1. THE MOVEMENT TOWARD SHORTER HOURS[1]

Within recent years, there has been a distinct reduction of the hours of work. A century ago, the prevailing hours of labor in manufacturing were approximately twelve per day. This has gradually been reduced and within the last twenty years, the downward trend has been particularly rapid. While we do not have adequate figures for the prevailing hours of work prior to 1909, the statistics for ten manufacturing trades (seven of them union trades) indicate that by 1918 the length of the working week had decreased between 11 and 12 per cent as compared with the average for the ten years 1890–99. From 1909 on, we have statistics which give a fairly good picture of what has happened in manufacturing. The hours of work which are shown in Table LXVII are the "prevailing" hours of work in the various manufacturing establishments. Some individuals, such as watchmen and engineers in these plants might regularly work more than the "prevailing" number of hours. Moreover, during rush periods large sections of the force might work considerable quantities of overtime and during slack seasons would probably work appreciably fewer hours per week. While there are these seasonal and cyclical variations, it seems probable that the figures are approximately correct in indicating the secular (long-time) movement in hours.

PREVAILING HOURS OF WORK IN AMERICAN MANUFACTURING INDUSTRIES[2]

A clearer idea of the tendency towards shorter hours is perhaps secured if the percentages are arranged cumulatively, as in Table LXVIII.

Thus by 1919, nearly one-half of the employees worked in establishments which had adopted the forty-eight-hour week as their standard week as compared to the one-thirteenth in 1909 and the one-eleventh

[1] Prepared.

[2] Taken from the *Statistical Abstract of the United States 1921*, p. 343, and the *Thirteenth Census*, VII (1910), p. 306.

in 1914 who worked under such conditions. By 1919, approximately two-thirds were in establishments working less than fifty-four hours a week while in 1909 only one-sixth, and in 1914 only one-fourth were in such establishments. Three-quarters were in establishments working less than fifty-five hours in 1919, as compared with three-tenths in 1909 and one-half in 1914.

TABLE LXVII

Prevailing Hours per Week	Percentage of Employees in Establishments with Prevailing Hours		
	1909	1914	1919
48 or less	7.9	11.8	48.6*
49–53	7.3	13.4	16.4
54	15.4	25.8	9.1
55–59	30.2	21.9	13.7
60	30.5	21.2	9.1
Over 60	8.7	5.8	3.0

*This includes 12.2 per cent who worked forty-four hours or less and 3.8 per cent who worked between forty-five and forty-seven hours a week inclusive.

TABLE LXVIII

Year	Less than 49 Hours	Less than 54 Hours	Less than 55 Hours	Less than 60 Hours	Less than 61 Hours
1909	7.9	15.2	30.6	60.8	91.3
1914	11.8	25.2	51.1	73.0	94.2
1919	48.6	65.2	74.3	87.0	97.0

The change may be stated in still another manner. In 1909, the largest group of workers, 60.9 per cent, were in establishments whose prevailing weekly hours were from fifty-five to sixty inclusive, while in 1919, the largest single group, 48.6 per cent, worked forty-eight hours per week or less, while 65.2 per cent worked less than 54 hours per week.

The eight-hour day (on the basis of six full days' labor) has therefore been realized for nearly half of the labor in manufacturing industries. There are still some industries, however, where a long day is the common practise, notably the continuous process industries such as iron and steel, cement, ice, etc., where the two shift system, or the twelve-hour day, is prevalent. Frequently, in addition the seven-day week is imposed on top of this.

In mining, the hours of labor have also been shortened; in 1919, 73.5 per cent were in mines working from 44 to 53 hours inclusive.[1] It is perhaps significant that the hours of labor tended to be appreciably shorter in those branches of mining where the workers are unionized, such as bituminous and anthracite coal mining, than elsewhere. The last two decades have also witnessed a reduction in the number of hours worked on the railways. The Adamson law fixing the basic day at eight hours for train-service employees has operated to bring the actual hours of work nearer to this point.

2. THE DIFFERENCE BETWEEN THE EIGHT-HOUR DAY AND THE EIGHT-HOURS' BASIC DAY—AN EMPLOYER'S VIEW[2]

For years a campaign has been waged by the American Federation of Labor for what it has been pleased to call the "eight-hour working day." It was alleged that more than eight hours' work tired the worker, made it impossible for him to devote the necessary time to mental improvement and deprived him of time which he could otherwise spend with his family.

Coupled with the demand for the eight-hour working day, however, there was always the insistence that overtime in excess of eight hours should be compensated for on a basis of time and a half or double time. Gompers asserted that the purpose of this was to prevent or deter the employer from working his people more than eight hours.

The eight-hour day is used by organized labor leaders simply as a means for securing increased wages.

It has been estimated that only 5½ per cent of the workers of the country who are on an eight-hour basis are working actually eight hours. The others are working as many hours as they can secure, and drawing punitive overtime pay.

The purpose of punitive overtime is not to restrain the employer from working his people more than eight hours, but to secure for those people additional increases in pay which could not be obtained otherwise.

Their health is just as much impaired by three hours' excess time at double-time wages as by three hours' excess time at normal wages.

[1] *Fourteenth Census*, XI (1920), 31.

[2] Adapted with permission from "The Pretense of the Eight-Hour Day," in the *Review* (August, 1917), pp. 330–34.

B. Some Arguments Advanced for and against Shorter Hours

3. THE CITIZENSHIP ARGUMENT FOR A SHORTER DAY

a) AN ILLUSTRATION OF THE EFFECTS OF THE LONG DAY[1]

Approximately half of the employees in iron and steel manufacturing plants are subjected to the schedule known as the twelve-hour day (that is, a working day from 11 to 14 hours long).[2]

Less than one-quarter of the industry's employees can work under 60 hours a week "although in most industries 60 hours was regarded as the maximum working week" ten years ago.

In the past decade the U.S. Steel Corporation has increased the percentage of its employees subject to the twelve-hour day.

First, what exactly is the schedule of the twelve-hour worker? Here is the transcript of the diary of an American worker, the observations of a keen man on how his fellows regard the job, the exact record of his own job and hours made in the spring of 1919, before the strike or this Inquiry, and selected here because no charge of exaggeration could be made concerning it. It begins:

Calendar of one day from the life of a Carnegie steel workman at Homestead on the open hearth, common labor:

5:30 to 12 (midnight)—Six and one-half hours of shoveling, throwing and carrying bricks and cinder out of bottom of old furnace. Very hot.

12:30—Back to the shovel and cinder, within few feet of pneumatic shovel drilling slag, for three and one-half hours.

4 o'clock—Sleeping is pretty general, including boss.

5 o'clock—Everybody quits, sleeps, sings, swears, sighs for 6 o'clock.

6 o'clock—Start home.

6:45 o'clock—Bathed, breakfast.

7:45 o'clock—Asleep.

4 P.M.—Wake up, put on dirty clothes, go to boarding house, eat supper, get pack of lunch.

5:30 P.M.—Report for work.

This is the record of the night shift; a record of inevitable waste, inefficiency and protest against "arbitrary" hours. Next week this laborer will work the day shift. What is his schedule per week? Quoting again from the diary:

[1] Adapted with permission from the *Interchurch World Movement Report on the Steel Strike of 1919*, pp. 44–82. The Commission of Inquiry, Bishop Francis J. McConnell, Chairman. (Harcourt, Brace & Howe, 1920.)

[2] This was written in 1920.

"Hours on night shift begin at 5:30; work for twelve hours through the night except Saturday, when it is seventeen hours, until 12 Sunday noon, with one hour out for breakfast; the following Monday ten hours; total from 5:30 Monday to 5:30 Monday, 78 hours, *the normal week.*

The Carnegie Steel worker works 87 hours out of the 168 hours in the week. Of the remaining 81 he sleeps seven hours per day; total of 49 hours. He eats in another fourteen; walks or travels in the street car four hours; dresses, shaves, tends furnace, undresses, etc., seven hours. His one reaction is "What the Hell!"—the universal text accompanying the twelve-hour day.

None can dispute the demoralizing effects on family life and community life of the inhuman twelve-hour day. As a matter of arithmetic twelve-hour-day workers, even if the jobs were as leisurely as Mr. Gary says they are, have absolutely no time for family, for town, for church or for self-schooling, for any of the activities that begin to make full citizenship; they have not the time, let alone the energy, even for recreation.

At Johnstown a member of the Commission was approached by a man of middle age who said that he was determined never to go back to work until the question of hours was settled. He gave as his reason the fact that his little daughter had died within the last few months; he said he had never known the child because he was at work whenever she was awake, or else he was asleep, during the day time. He was determined that he would know the other children and for that reason felt that it was imperative that he should have the eight-hour day.

This man was an American, getting good wages and embittered, not by "outside agitators" but by the facts of his life as he found them.

In the twenty-eight pages of the Senate Committee's Report on the steel strike much space is devoted to the need for Americanization. Only a few lines were devoted to the twelve-hour day. But Americanization is a farce, night schools are worthless, Carnegie libraries on the hilltops are a jest, churches and welfare institutions are ironic while the steel worker is held to the twelve-hour day or the fourteen-hour night. Not only has he no energy left, he has literally no time left after working such schedules. He has not even time for his own family.

The facts have long been known. The National Association of Corporation Schools, the chief employers' organization for furthering workers' education, at its 1919 session heard A. H. Wyman of the Carnegie Steel Company of Pittsburgh cite the reasons given by immigrant workers for dropping out of the nightly English classes for foreigners in the South Chicago public schools:

Fatigue from long hours	27
Change of jobs, unable to get to school by 7 P.M.	36
Change from day to night work	37
Overtime work	69
Total	169

That is, nearly fifty per cent of the startlingly small group of 341 enrolled out of the tens of thousands in the district dropped out for reasons connected with hours. Mr. Wyman did not mention the relation of steel workers' hours to the defeat of the South Chicago Americanization educational campaign; neither did anybody else in the audience mention it.

b) AN ARGUMENT BY MR. GOMPERS FOR THE EIGHT-HOUR DAY AS A CITIZENSHIP MEASURE[1]

The general reduction of the hours of labor to eight per day would reach further than any other reformatory measure; it would be of more lasting benefit; it would create a greater spirit in the workingman; it would make him a better citizen, a better father, a better husband, a better man in general. The "voting cattle," so-called, those whose votes are purchased on election day, are drawn from that class of our people whose life is one continuous round of toil. They cannot be drawn from workingmen who work only eight hours. A man who works but eight hours a day possesses more independence both economically and politically. It is the man who works like his machine and never knows when to stop, until in his case perpetual motion is almost reached—*he* is the man whose vote you can buy. The man who works longest is the first to be thrown out on the sidewalk, because his recreation is generally drink.

4. A REDUCTION OF HOURS AN INCREASE OF WAGES[2]

"Well," says a workingman, "I should certainly be very glad to work less hours, but I can scarcely earn enough by working ten to make myself and family comfortable."

[1] Adapted with permission from Samuel Gompers, *Labor and the Common Welfare*, p. 100, and embodying a statement of August, 1883. (E. P. Dutton & Co.)

[2] An article written by Ira Stewart and reprinted from the *Documentary History of American Industrial Society*, IX, 284–90. Edited by J. R. Commons. (Arthur H. Clark Co.)

Sir, as strange as it may seem to you at first blush, it is a fact that your wage will never be permanently increased until the hours of labor are reduced. Have you never observed that those who work the hardest and longest are paid the least, especially if the employment is very disagreeable, while those whose employment is more agreeable usually receive more, and many who do nothing receive more than either?

You are receiving your scanty pay precisely because you work so many hours in a day, and my point now is to show why this is true, and why reducing the hours for the masses will eventually increase their wages.

The truth is, as a rule, that men who labor excessively are robbed of all ambition to ask for anything more than will satisfy their bodily necessities, while those who labor moderately have time to cultivate tastes and create wants in addition to mere physical comforts. How can men be stimulated to demand higher wages when they have little or no time or strength to use the advantages which higher wages can buy, or procure?

Take an extreme case for illustration of this—that of an average operative or mechanic employed by a corporation fourteen hours a day. His labor commences at half-past four in the morning, and does not cease until half-past seven in the evening. How many newspapers or books can he read? What time has he to visit or receive visits? to take baths? to write letters? to cultivate flowers? to walk with his family? Will he not be quite as likely to vote in opposition to his real interests as in favor? What is his opinion good for? Will any one ask his advice? Which will he most enjoy, works of art, or rum? Will he go to meeting on Sunday? Does society care whether he is happy or miserable? sick or well? dead or alive? How often are his eyes tempted by the works of art? His home means to him his food and his bed. His life is work, with the apparition, however, of sometime being without, for his work means bread! "Only that and nothing more." He is debased by excessive toil! He is almost without hope!

From the fourteen hour system let us turn to that of eight hours for a day's work and see if the real secret of low and high wages does not lie in the vast difference which the two systems make in the daily habits and ways of living of the masses. In the eight hour system labor commences at seven o'clock A.M., and, as an hour and a half is allowed for dinner, the labor of the day ends at half-past four in the afternoon, instead of half-past seven in the evening. Think carefully of the difference between the operative and mechanic leaving his work at half-past seven (after dark, the most of the year), and that of the more leisurely walk home at half-past four P.M., or three hours earlier. Remember also that there is a vast difference in the strength and feelings of those who commence labor at half-past four in the morning, and those who commence two hours and a half later, or at seven o'clock. It is the hard, practical, necessary differences between the two systems which control the daily habits and thoughts of all who are living under them.

But we must confine ourselves to the first simple fact that a reduction of hours is an increase of wages; and when we are perfectly satisfied of its soundness we can build upon it until the consequences grow to the extent of our comprehension or imagination.

Think then of the difference which will soon be observed in a man or woman emancipated by the eight-hour system from excessive toil. Not the first day nor the first week, perhaps, but in a very little while. The first feeling may be one merely of simple relief; and the time for a while may be spent, as are many of the Sabbaths, by the overworked, in sleeping and eating, and frequently in the most debasing amusements. The use which a man makes of his leisure, depends largely upon the use which has been made of him. If he has been abused, he will be pretty sure to abuse his first opportunities. An hour, in the hands of John Quincy Adams, meant a golden opportunity, in the hands of a Newcastle Collier it means debauchery, and in the hands of a New England operative, an hour extra will mean the difference balanced, or divided between the two.

Many make the mistake of supposing that leisure will be abused by workingmen, as if leisure of itself were necessarily corrupting. Leisure, however, is neither positively good, or bad. Leisure, or time, is a blank—a negative—a piece of white paper upon which we stamp, picture, or write, our past characters.

The charge that men will abuse the privilege of more leisure is the objection continually urged against liberty, and the answer to the latter will probably be a sufficient reply to the former.

Mankind will be virtuous and happy when they have full power to choose between good and evil, with plenty of motives for deciding right. Men will not abuse power when they are made responsible

for its abuse. While therefore giving the masses more time will give them increased power to do wrong, the motives to do right will increase very much faster.

Assuming that the leisure we propose is not so positively debasing, let us return to the main question. My theory is, (1) That more leisure will create motives and temptations for the common people to ask for more wages. (2) That where all ask for more wages, there will be no motive for refusing, since employers will all fare alike. (3) That where all demand more wages, the demand cannot be resisted. (4) That resistance would amount to the folly of a "strike" by employers themselves, against the strongest power in the world, viz., the habits, customs, and opinions of the masses. (5) That the change in the habits and opinions of the people through more leisure will be too gradual to disturb or jar the commerce and enterprise of capital. (6) That the increase in wages will fall upon the wastes of society, in its crimes, idleness, fashions, and monopolies, as well as the more legitimate and honorable profits of capital, in the production and distribution of wealth, and (7) In the mechanical fact, that the cost of making an article depends almost entirely upon the number manufactured is a practical increase of wages, by tempting the workers through their new leisure to unite in buying luxuries now confined to the wealthy, and which are costly because bought only by the wealthy.

5. THE ARGUMENT BY MR. GOMPERS THAT SHORTER HOURS WILL MAKE MORE WORK FOR THE UNEMPLOYED[1]

Is it not time that something should be done to reclaim from misery the many thousands of good and true men whose only fault is that they have stomachs to fill, with ready and willing hands to supply their wants, but continually receiving the stereotyped reply in answer to their appeals for work, "No job open"?

Much can be done by the trades unions to relieve the distress caused by the displacement of labor by machinery. Within the past few years the trades unions have sought and in many instances secured a reduction in the hours of labor; for a brief period there has been a stagnation in this direction.

I appeal to the trades unions of the country to go on in this work. The answer to all opponents to the reduction of the hours of labor

[1] Adapted with permission from Samuel Gompers, *Labor and the Common Welfare*, pp. 97–98, and embodying a statement made in 1887. (E. P. Dutton & Co.)

could well be given in these words: "That so long as there is one man who seeks employment and cannot obtain it, the hours of labor are too long" (December, 1887).

6. THE EFFECT OF SHORTER HOURS UPON PRODUCTION

a) MR. GOMPERS' ARGUMENT[1]

Interesting facts are being constantly demonstrated relative to the economic advantage resulting from the movement to reduce the hours of labor to eight per day. It is clearly shown that there has been neither diminution in the quantity produced, nor has the quality of work deteriorated by reason of the shorter workday (Gompers, *Federationist*, November 1905).

The industrial wage-workers reply: "There has been no diminution of output by reason of the reduction of hours of labor from ten to eight; in not a few occupations the output has not varied from the results of ten hours, the number of human workers remaining the same in proportion (December, 1910).

Eight hours in peace or in war is our slogan to conserve human life and insure greatest output (*Federationist*, June, 1917).

b) AN AMERICAN EXPERIMENT WITH THE EIGHT- AND THE TEN-HOUR DAY[2]

In the building of the two battleships, the "Connecticut" and the "Louisiana," we have a concrete case offering opportunity for the study and comparison, not only of contract versus direct labor, but also of the eight-hour day versus the ten-hour day. The former battleship is being built by direct labor in the United States Navy Yards in Brooklyn under the eight-hour day and by union men. The battleship "Louisiana" is being built by contract by the Newport News Shipbuilding Co., employing its men ten hours a day.

The work done on the contract ship is far more rapid than has ever been done by contracting firms building battleships heretofore, as it is well understood that there is to be a race between the direct labor in the navy yards and contract labor at Newport News. At the date of launching, the number of pounds worked in per hour was, for the "Louisiana," 5.1; for the "Connecticut," 6.3. The average number of pounds worked in for ten hours or one day, by men working

[1] Adapted with permission from Samuel Gompers, *ibid.*, pp. 81–83.

[2] Taken from "The Case for the Shorter Work Day," *Brief for Defendant in Error*, Vol. I, by F. Frankfurter and J. Goldmark. Written by Ethelbert Stewart, *Commons*, XX (May, 1905), 679–81.

full time of ten hours on the "Louisiana" was 500; average worked in by men working full time of eight hours on the "Connecticut" was 470. This shows that the average production of a man per hour on the "Connecticut" exceeded by over 24 per cent.

So far, the claim of labor leaders that the eight-hour day is productive of better work and just as much of it in the skilled trades as the ten-hour day seems to be amply sustained.

c) THE BRITISH WAR-TIME EXPERIENCE WITH THE EFFECT OF HOURS UPON OUTPUT—EXCERPTS FROM THE REPORT OF THE BRITISH HEALTH OF MUNITION WORKERS COMMITTEE[1]

At a very early stage of the war the ordinary restrictions on hours of employment were widely relaxed. Sunday labor, previously forbidden for women and young persons, and practically unknown for men except in a few continuous processes, became common. Night employment, which for 50 years had been abolished entirely for women and in the main for boys became regular. *The strain of these hours*, in itself severe, *was increased through large numbers of men and women taken into employment being unaccustomed to such labor, or being physically less able to bear the strain than the selected body of workers previously employed.*[2] The difficulties of housing and transit became accentuated and the conditions of employment were frequently makeshift and inconvenient. The employment of men for 70 to 90 hours a week was common, for over 90 hours was not infrequent, and there were even cases of hours in excess of 100.

The evidence, however, showed that the long hours are open to certain serious objections:

a) They are liable to impose too severe a strain on the workers.

b) At any rate, after a period, the rate of production tends to decrease, and the extra hours produce proportionately little or no additional output. Moreover, the quality of the output may be adversely affected during the whole period of work, and not only during the hours of overtime.

c) A large proportion of the hours gained may be lost through broken time; the workers become exhausted and take a rest; sickness

[1] Taken from *Industrial Health and Efficiency*, pp. 65–79. Bull. 249. Published by the U.S. Department of Labor, Bureau of Labor Statistics. Government Printing Office, Washington, 1919; also *Monthly Labor Review* (November, 1917), pp. 61–62.

[2] *Italics ours.*—Ed.

tends to increase, at any rate among the older men and those of weak constitution.

d) They lead to an undue curtailment of the periods of rest and sleep available for those who have to travel long distances to and from work.

e) The fatigue entailed increases the temptation of men to indulge in the consumption of alcohol; they are too tired to eat, and therefore seek a "stimulant."

f) A very serious strain was imposed upon the management, the executive staff, and the foremen, both on account of the actual length of the hours worked and of the increased anxiety over the maintenance of the output and quality of the work; the staff can not take days off like ordinary workers.

Observations extending over a period of 13½ months upon the output of workers employed in making fuses showed that a reduction of working hours was associated with an increase of production both relative and absolute. The rate of production changed gradually, and did not reach an equilibrium value before the expiration of four months. Thereafter it remained steady during the period of 3½ to 5 months during which it was observed. The gradual change negatives the suggestion that the effect was a mere consequence of the desire to earn the same weekly wage as before the hours were shortened.

Owing to the reduction of the working time, first by a change from a 12-hour day to a 10-hour day and subsequently by the abolition of Sunday labor, it was possible to compare output under three conditions. The group of women (numbering from 80 to 100) engaged in the moderately heavy labor of turning aluminum fuse bodies provided the following comparative results:

When actually working 66.2 hours a week and nominally 74.8 hours their relative hourly production was 100 and their relative gross production 100.

When actually working 45.6 hours and nominally working from 49.5 to 58.5 hours their hourly production was 158 and their gross production 109.

It is therefore to be inferred that had these women been working uniformly a nominal 50-hour week their gross output would have been as large as when they were working a nominal 66-hour week, and considerably greater than when they were working a 77-hour week. In other words, a considerable addition to the leisure time of

the operatives would have substantially improved the total output of the factory.

A group of 40 women engaged in the light labor of milling a screw thread on the fuse bodies improved their gross output by 2 per cent when actually working 54.8 hours a week, the standard being their gross output when working 64.9 hours per week. A further reduction of actual working hours to 48.1 resulted in such an improvement of hourly output that the gross output was only 1 per cent less than when the actual working time was 16.8 hours more.

A group of 56 men, engaged in the heavy labor of sizing the fuse bodies, improved their hourly output by 37 per cent and their gross output by 21 per cent when actually working 51.2 hours, the standards being the hourly and gross outputs observed when the actual weekly hours were 58.2.

Fifteen youths, engaged in the light labor of boring top cans by means of automatic machines, produced only 3 per cent less output when their actual weekly hours of work were 54.5 hours than when they were 72.5.

In none of the operations studied was there any change either in the nature of the operation or of the type of machinery during the period under notice. The data were also chosen as to eliminate any possible disturbances due to increasing skill.

A part of the improvement in output was due to the workers starting work more promptly when on shorter hours. At one period the women engaged in turning fuse bodies lost on the average 37 minutes daily by starting work after, and stopping before, the nominal time. Nine months later, when their hourly output was 25 per cent better, they lost only 26.5 minutes daily in these ways.

A rest from work on Sunday is followed by a relatively low output on Monday, and this output steadily rises in the course of the week, owing to the increased efficiency produced by practice. Generally the cumulative effects of fatigue neutralize and overpower this increased efficiency, and the output may fall after the second day (or night) of the working week if the hours are long and the work laborious, or not till after the third, fourth, or even fifth day, if the hours are shorter. In the absence of a Sunday rest the fatigued worker has no opportunity for complete recuperation, and his output, though more uniform, remains permanently at a lower level than that shown on Monday by a worker who has rested on Sunday.

Speaking generally, the above data show that a reduction in the weekly hours of actual work, varying from 7 to 20 hours per week, in no case resulted in more than an insignificant diminution of total output, while on the average it produced a substantial increase. As Dr. Vernon points out, the classification of the operations according to the possibility they offer for speeding-up production demonstrates anew the self-evident fact that the alterations of hours may have very different effects in different operations. The exact measure of such alterations can not be predicted; it can only be ascertained by observation and experiment. It appears evident, however, that for processes similar to those examined by Dr. Vernon the weekly hours can advantageously be reduced to a total of from 50 to 55 hours, and he suggests that even lower limits might give an equally good output.

d) AN INVESTIGATION INTO THE EFFECTS OF SHORTER HOURS BY AN AMERICAN EMPLOYERS ASSOCIATION[1]

[NOTE: The data were secured through questionnaires sent to employers in the industries studied.—ED.]

The results of the investigations clearly show that no single schedule of hours is equally adaptable for all industries from the standpoint of production. The evidence is overwhelming that maximum efficiency cannot be obtained in all industries with any single specific work-day.

In general, the ability to increase hourly efficiency and thus make up, either wholly or in part, for reductions in hours was largely determined by the amount of handwork, as distinguished from automatic machine work, which is performed in any given process. Thus, those industries characterized by a relatively large amount of machine work as a rule showed a marked decrease in output when hours were reduced.

In some types of cotton weaving the machine dominates to such an extent that automatic looms run during the noon hour, or for a time after the closing hour, without supervision by the operative. In work where the machine dominates to anything like this extent, obviously the output must be fixed practically by the length of time that the machine is run; the opportunity for increased skill or effort in handwork cannot possibly make up for the loss in the running time of the machine.

[1] Adapted from "The Hours of Work Problem in Five Major Industries," in *Research Report of National Industrial Conference Board*, XXVII (March, 1920), 2, 7–8, 9.

It is necessary, however, to distinguish between operations where the machine is virtually or highly automatic and those where the machine, however efficient, nevertheless requires the constant supervision of the operative in order to secure production. Thus, although machine processes have been developed to a high degree in the boot and shoe industry, and although modern machinery is almost universally employed in that industry, even in comparatively small establishments, the greater part of the work is essentially "handtime work." In practically every operation production ceases when the operative leaves the machine. Thus, the constant effort and activity required of the operative sharply differentiates work in this industry from the "machine tending" which characterizes many operations in cotton manufacturing, and it unquestionably has an important bearing on the practicability of maintaining output when hours of work are reduced.

Clear discrimination must be made between *hourly* and *total* output. A substantial increase in the hourly rate of production when hours are reduced may still leave the total output below the previous level.

PROBLEMS

1. What is meant by the "standard" working week. Does it include (*a*) overtime, (*b*) short time or "unemployment within employment." To what extent do figures of the "standard" working week show the actual movements of hours: (1) from year to year, (2) from decade to decade? Is there any distinction between the eight-hour day and the forty-eight-hour week, and if so what? Were the eight-hour day established as a maximum by law, would it be possible for employees to work nine hours for the first five days in the week in order to have a half-holiday on Saturday? Should the day or the week be the basis for fixing the hours of work and why?
2. Has labor made more distinct gains as regards the number of hours worked per week or earnings during the last thirty years? Try to account for this.
3. John Stuart Mill in his *Principles of Political Economy* said "it is doubtful if all the mechanical improvements that have been made, have ever lightened the day's toil of a single human being." Was this a correct statement when Mill wrote? Is it today? Why?
4. "The basic eight-hour day is not a proposal to decrease hours, it is a proposal to increase wages." What is the reasoning behind this statement? Is it correct?
5. "Whether you work by the piece or the day
   Decreasing the hours, increases the pay"

   What is the reasoning behind this jingle? Trace the argument through in detail and state what validity you think it possesses.

6. "The devil always has work for idle hands to do. Therefore we should not try to shorten hours, for such a policy would merely mean more patronage for the saloons, the pool-rooms and the gambling houses." What fundamental promises does this argument rest upon and to what extent are they correct? Evaluate this argument in terms of the actual experience with shorter hours.
7. "After all there is not much to be gained from shorter hours. A decrease from twelve to eight hours merely means a reduction of one-third in the hours of work and a corresponding addition to the hours of leisure and one-third is not much." Criticize.
8. It has been said that the problems of the future are those of organizing leisure time effectively—not primarily those of organizing working time effectively. To what extent is this true? How far can leisure time be "organized" and in what ways is it desirable, in your opinion, that it should be?
9. "Shorter hours results in more production." Do you agree? To what extent and in what degree would your answer depend upon such factors as (*a*) previous length of working day or week, (*b*) nature of work, heavy or light, (*c*) degree of repetition, (*d*) handwork or machine-tending.
10. Summarize the English experiences with the various lengths of the working weeks and evaluate the results.
11. What do you think the experiment with the two battleships proved and why?
12. The National Industrial Conference Board gathered their material on the effects of reduced hours upon output by means of questionnaires sent to employers. What do you think of the accuracy of these methods?
13. Are there any inconsistencies in Mr. Gompers arguments for the eight-hour day? If so, what are they and why?
14. "As long as there is one workman unemployed, the hours of labor are too long." What are the assumptions upon which this statement rests and the reasoning involved? To what extent is either correct?
15. "There is no more delusive fallacy than the make work argument. For if the workmen reduce the hours of work, this will mean reduced production, not the employment of more labor, and consequently will curtail the necessities and comforts which these very workmen need." What are the assumptions upon which this statement rests and what is the reasoning involved? To what extent is either correct (*a*) in the long run ,(*b*) in seasonal industries, (*c*) at the peak of the business cycle, (*d*) in the slough of the business cycle?
16. An English labor leader was asked in 1919 what labor would do once it had secured the forty-eight hour week. He replied: "We would demand the 44-hour week." "And if you secured that, then what." "Then we would go after the forty-hour week." "And after that, what." "We would get thirty-six hours." "And would you stop then?" "No, we

would not rest until we got the hours down to thirty a week." Comment upon this in terms of (*a*) the attitude toward industry on the part of labor, (*b*) the effect of such a program upon production, wages, and the private conduct of industry.

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CHAPTER XII

A WAGE CASE

The "case" which follows is presented for the purpose of bringing into focus in more concrete form some of the issues which have been raised through the preceding sections of this chapter. The economic and political setting of this particular example of wage adjustment is, to be sure, somewhat unique in certain respects, in that the settlement is nation-wide in scope, the workmen involved are organized in an unusually strong union, and the case is determined by public authority. All three of these elements raise certain problems peculiar to themselves which must be postponed for fuller discussion in Parts Five and Seven. They do not, however, alter the essential validity of the case as an illustration of the more important issues which underlie all wage determination, namely: the choice of standards by which wages are to be judged, the determination of means by which those standards can be applied, and the complex interrelation of wage problems with those of hours, security, regularity of employment, productive efficiency and economy, and the permanent welfare of the industry. It is to these issues that attention should be directed at this stage.

THE BITUMINOUS COAL AWARD OF MARCH 10, 1920[1]

The position of the miners.—Acting President John L. Lewis of the United Mine Workers of America presented the principal demands of the mine workers, as follows (given here only in part):

1. That there be a 60 per cent increase upon all classifications by day labor, tonnage, yardage, and day work in the central competitive field. That, of course, carries with it that the basis of understanding reached in the central competitive field on the part of the mine workers would be satisfactory in all outlying coal-producing districts.
2. That a six-hour day, five days per week, be established.
3. That the day labor be paid time and a half for overtime and double time for Sundays and holidays.

[1] Adapted from *Award and Recommendations of the United States Bituminous Coal Commission*, the report of the Commission by H. M. Robinson and R. Peale, with a *Minority Report* by John P. White, Member of the Commission, pp. 11, 25–28, 36–44, 48, 70–76, 80–88. (Government Printing Office, 1920.)

4 That pay days shall be upon a weekly basis.

. . . . . .

8. That any contract negotiated be effective from and after November 1, 1919, to run for a period of two years from that date.

A. The Majority Report[1]

Wages.—We have decided to award as a substitute for the 14 per cent increase previously authorized by Dr. Garfield (former Fuel Administrator) a wage increase that is considerably higher. In arriving at the present wage award, we were guided by the principle that every industry must support its workers in accordance with the American standard of living.

With this principle in mind, we have considered the fact that the cost of living has advanced greatly from the pre-war level. Estimates of this advance in the evidence before the commission have ranged from the 80 per cent, submitted by the operators, through the last official report of the Bureau of Labor Statistics, which was 83 per cent for October, 1919, and the 86 per cent claimed by the miners in their brief with which they stated they would be satisfied as a basis of the award, to an even higher figure provisionally estimated by the Bureau of Labor Statistics for December, 1919, on the basis of returns which are as yet incomplete.

In addition, we have taken into consideration increases in wages received by workers in other industries, as well as other factors herein set forth, including the consideration that every cent added to the tonnage rate on the annual production means an increase of five million dollars in the cost of producing coal, while each per cent of increase equals between seven and eight million dollars.

We hope that there will be a decline in the cost of living in the next two years, but we realize that the miners have borne an increase above their advance of wages and consider the possible future decline in living costs as an offset for these losses.

On the basis of $1,300,000,000 as the annual value of bituminous coal, the labor cost, which constitutes about 57 per cent of the total realization by the operators, is about $741,000,000. Twenty-seven per cent of this amount is approximately $200,000,000, which is the additional sum that will be paid to the miners, as the result of our award, above what they were receiving on October 31, 1919. For it must be borne in mind that our award is based on the status prior to

[1] By H. M. Robinson and R. Peale.

the application of Dr. Garfield's 14 per cent. The 14 per cent itself involved a cost of over $104,000,000 to which our award adds approximately another $96,000,000.

Wage advances granted to miners in the central competitive district between 1913 and October 31, 1919, average 43 per cent for tonnage workers and 76 per cent for day men. The derivation of these percentages is shown in detail in Table LXIX.

TABLE LXIX

CENTRAL COMPETITIVE FIELD

State	Percentage of Tonnage	Rates 1913	Rates 1919	Percentage Increase over 1913
Machine:				
Western Pennsylvania	19.8	44.61	70.00	56.9
Ohio	22.2	47.00	70.00	48.9
Indiana	14.5	49.00	72.00	46.9
Illinois	43.5	51.00	74.00	45.1
Total	100.0	48.56	72.03	48.3
Pick:				
Western Pennsylvania	19.8	64.64	87.64	35.6
Ohio	22.2	67.60	87.64	29.6
Indiana	14.5	61.00	84.00	37.7
Illinois	43.5	61.00	84.00	37.7
Total	100.0	63.19	85.53	35.4
Average tonnage rate	.....	53.53	76.62	43.1
Day Men:				
Western Pennsylvania	19.8	2.84	5.00	76.1
Ohio	22.2	2.84	5.00	76.1
Indiana	14.5	2.84	5.00	76.1
Illinois	43.5	2.84	5.00	76.1
Total	100.0	2.84	5.00	76.1

Tonnage in millions: Western Pennsylvania, 41; Ohio, 46; Indiana, 30; Illinois, 90; total 207.

This table gives the coal tonnage of each of the four states constituting the central competitive field, and the percentage that the tonnage of each state is of the total. The table further shows, for machine workers, pick miners, and day men separately, the rates in 1913, the rates in 1919, and the percentage of increase in rates between these two dates. In arriving at the average increase for the four states, the increase for each is averaged, but in computing this average

the states are weighted in proportion to their tonnage. For instance, Illinois produces nearly twice as much coal as Ohio; therefore, nearly twice as many tons of coal are paid for at the Illinois rate as at the Ohio rate, and in computing the average for the district, Illinois rates are giving about twice as much weight as Ohio rates. The weights used for the four states are as follows:

Western Pennsylvania	19.8
Ohio	22.2
Indiana	14.5
Illinois	43.5

As the result of this calculation, it has been determined that the average rate for machine work in 1913 was 48.56 cents and in 1919, before the application of the 14 per cent, 72.03 cents, while the average rate for pick mining was 63.19 cents in 1913 and 85.53 cents in 1919. In averaging the rates for pick and machine mining a further weighting was necessary. Of the total coal produced in the central competitive field 65 per cent is mined by machines, and 34 per cent by hand; therefore, the machine-mining rate was given a weight of 66 and the pick-mining rate a weight of 34, resulting in an average rate for tonnage workers, pick and machine, in 1913 of 53.53 cents and in 1919 of 76.62 cents. The increase between these two dates for tonnage workers was thus 23.09 cents, or 43.1 per cent, while for day men it was 76.1 per cent. The average wage advance awarded by us amounts to an increase over rates prevailing before October 31, 1919, of 27 per cent.

We direct that this increase be apportioned between the different groups of workers and classes of work along the following lines: That tonnage rates, pick and machine, be increased by 24 cents; that rates for all yardage, dead work, narrow work, and room turning be advanced 20 per cent; and that the compensation of day men also be advanced 20 per cent. All these advances to apply to the rate prevailing on October 31, 1919.

On the basis of this adjustment tonnage workers will receive an average increase over 1919 of 31 per cent, while day men whose wages were advanced disproportionately under the Washington agreement will receive an average increase of 20 per cent.

Whether all or any part of this amount will be passed on by the operators to the public depends on competitive conditions, but we estimate that the carrying out of other provisions of our findings will save the general public more than the cost of the additional wages.

It is to be expected that when all Government regulations are withdrawn and a competitive market for coal is re-established, the over-expansion of the industry will not permit the operators to add to the price of coal all the increased compensation granted to the miners. On the returns made by coal operators to the Bureau of Internal Revenue for the year 1918, we have the assurance that of the 1,551 companies 337, or 22 per cent, reported net losses in 1918, and 168 companies, or 11 per cent, reported net incomes of less than 5 per cent on invested capital.

It is to be expected that companies which were not able to operate profitably in 1918, when the demand for coal was unlimited, will be unable to remain in business in normal times, and that many of the companies making net returns of only 5 per cent during that banner year will also decide to discontinue operations under competitive conditions.

The two groups of companies reporting net losses and incomes of less than 5 per cent constitute about one-third of those for which returns are available, but represent only about one-seventh of the total invested capital and about one-ninth of the total tonnage. It is believed that the nation's coal requirements can ordinarily be met by the operation of those collieries alone which have advantages resulting in lower production costs and consequent larger returns on invested capital.

The figures show that 36 per cent of the operators represented, having about 62 per cent of the total invested capital and producing about 48 per cent of the total tonnage, made net incomes of between 5 and 25 per cent on their investment, while other companies, still more fortunately situated, made even higher returns. The companies, however, that showed net incomes of over 25 per cent represent in the aggregate less than one-fourth of the total investment and two-fifths of the tonnage, while the companies making returns of 100 per cent or more represent a total investment of only about $4,000,000 and a total tonnage of about six millions.

The average returns of all the reporting companies were 18.86 per cent on the investment before payment of the income and excess profits taxes and 9.72 per cent after deducting the taxes.

We believe that the law of supply and demand will result in a competition for markets and will not permit the operators to shift all the wage advance to the public. The bulk line, which during the war was placed by governmental authority high enough to stimulate

maximum production, will move lower in response to economic forces when normal conditions are re-established and the price will be prevented from rising beyond a point sufficient to assure the nation of its coal requirements. This forecast is based on the assumption that no combination to maintain prices can be formed among the operators. Such a combination besides being illegal seems quite impracticable in view of the 7,000 companies involved located as they are in some 26 or 27 coal-producing states.

We have evidence that the share of labor in the total price paid by the public for coal was greater in 1916 and in 1917 than in 1918 for most of the important producing districts. Hence the advance granted by this commission will tend to re-establish the pre-war distribution of each dollar paid for coal as between capital and labor.

The increase will thus in no way be a further step in the circular ladder of more wages—higher prices—increase in the cost of living—still more wages. Even if it were established that this sequence of events obtains throughout industry, yet the question would remain whether it is fair to single out one group of workers as the victims of an attempt to check the operation of the vicious circle.

In the case of the coal industry conditions are such, as a result of over-expansion, that higher labor costs will tend to force the readjustment under which the national needs will be met from more economically operated properties. This readjustment will be to the advantage of the coal-mining industry as a whole, and is urgently required in the interests of national economy under the present circumstances. It is the true method of stabilizing the coal industry and providing for the more continuous employment of the capital and labor involved.

IRREGULARITY OF EMPLOYMENT AND THE SHORTER WORKING DAY

The six-hour day and the five-day week.—We have gone fully into the mine workers' demand for a six-hour day and a five-day week, equivalent to a reduction of working hours from 48 to 30 per week.

It is claimed by the miners on the basis of experience after previous reductions of hours of labor and of the effects of reduction of hours in other countries, that curtailment of working time would not reduce the output in anything like a corresponding proportion. It is our view that arguments based on the effects of a reduction from 10 to 8 hours can hardly apply to a reduction from 8 to 6 hours, or from 8 to 7 hours. Production in countries where there has been a reduction in hours is less than before the hours were reduced. We feel that our

responsibility to the nation will not permit us to make an award that would curtail appreciably the productivity of the workers in a basic industry.

Each coal company endeavors to have enough men on its rolls to carry it over the peak of the rush season; the operators want coal mined while there is a demand, each company realizing that, if it is unable to satisfy its customers, they will turn to other producers and the sale will be permanently lost. A labor supply, sufficient for the needs of the rush season, is excessive during the rest of the year, part-time employment results, and the nation will ultimately have to pay in its fuel bills the cost of maintaining this larger army of only partially employed workers.

We are convinced that a reduction in hours of labor would only make a bad situation worse, that the miners' demand on this point is clearly uneconomic, and that to grant it would be detrimental to their own interests.

Another result that would flow from a reduction in hours, with the wages that it is proposed should be paid, will be to increase the number of men who will seek employment at the mines on account of the shorter hours and the full pay, and this, in turn, will result later in further demands for the shortening of hours in order to give employment to the men who would thus be added to an industry that is already overmanned. We cannot, in view of our responsibilities agree to a demand that would lead to such disastrous results. At the same time we hope to accomplish something in the direction of the stabilization of the industry by means of constructive proposals discussed elsewhere in this report.

Therefore, our conclusion is that, under all the conditions, the eight-hour day should be maintained.

Intermittency in working days.—Irregularity of mining operations is the primary cause of the unsatisfactory condition of the industry and results in high prices of coal and dissatisfaction among the miners.

The principal causes of this irregularity are the seasonal character of the market and the inadequacy and irregularity of car supply. In order to stabilize the industry and alleviate the irregularity of the market, we feel that the purchasing and consuming public on the one hand, and the carriers on the other hand, have certain specific duties to perform.

It is evidently the public's duty to aid in the stabilization of the coal market by purchasing and arranging to store as much coal as possible during the spring and summer. It is the carrier's duty to

furnish as much equipment as possible for the movement of coal, and, above all, to see that there is no discrimination in the distribution of the equipment which is now at their disposal.

In considering these facts, we had in mind the two basic principles: (1) That a seasonal demand develops a seasonal price, which is a double charge against the consumer, since this price must be high enough to carry the expenses of the dull period and also high enough to carry the extra expenses of additional equipment needed to handle the business in rush periods. (2) That seasonal idleness breeds unrest in any group of men and in any industry.

The coal industry is a part-time industry, the number of idle days, out of a possible 308 working days, being 63 in 1918 and 115 in 1919. On the average for the past 30 years, the number of possible working days, when the mines were not in operation, was 93. This loss of time may be analyzed by causes for the last two years in Table LXX.

TABLE LXX

Cause of Idle Time	1918	1919
	Per Cent	Per Cent
Car shortage	49	17
Labor shortage and strikes	23	25
Mine disability	14	6
No market	8	50
Other causes	6	2

While coal production increases in accord with national development on an average of approximately 10 per cent per year, yet coal production in normal times varies from year to year with general industrial conditions. Periods of prosperity and great activity are marked by a large production of coal, since fuel is the foundation of all industrial enterprises, while years of depression are also low-ebb years in coal mining.

In only a few instances, however, does the industry show a loss of time below 78 working-days in a year, so that it is a fair interpretation of the facts that many days of idleness occur in the industry regardless of the general level of industrial prosperity. This amount of lost time may be ascribed to two main causes: (1) over-development of the industry, and (2) irregular distribution of the demand for coal through the year. This results in periods of no market, when mines and railroad cars are idle because of a shortage in demand for coal,

followed by periods of great demand, when mines would be worked to capacity were it not for the lack of coal cars for the transportation of the product. At the present time America requires less than 500,000,000 tons of bituminous coal a year, while the capacity of the mines in operation is over 700,000,000 tons.

Under the stimulus of war demand many new mines were opened and many old ones expanded in order to secure sufficient coal to meet the exceptional and urgent national requirements. As a result, the coal industry, which was speculatively overdeveloped before the war, is still more overdeveloped now and employs more capital and more labor than is necessary to supply the present needs of the country.

It is not to be expected that exports of coal will increase sufficiently to absorb a perceptible proportion of the gap between the demand for coal and the capacity of mines, as our shipping terminal facilities are such that not more than 25,000,000 tons of coal a year can at present be expected.

Full-time employment in the coal mines cannot, therefore, be expected until the industry is put on such a basis that only those mines remain in operation whose output is required to supply the annual needs of the country.

Even if the overexpansion in the industry were remedied there would still be a considerable amount of irregularity in operating time so long as the demand for the bulk of the coal remains concentrated in certain months, with idleness of cars during the slack months and shortage of cars during the peak months.

[There follows a discussion of the possibilities of consumers' co-operation in improving storage facilities and regularizing demand, with a statement that certain large consumers have already promised such assistance.—Ed.]

Introduction of labor-saving devices and machinery.—The United Mine Workers, through their president, fully accept in principle the desirability of the introduction of machinery and mechanical devices.

The statistics before the commission show that 57 per cent of the country's total production of bituminous coal is machine mined. It is recognized by the commission that the introduction of machinery and devices can be prevented by the mine workers by failure to agree upon the rates, terms, and conditions under which the machinery and devices are to be used. We recommend that the good offices of the miners' international organization be exercised to maintain the principle that has been so fully presented in behalf of the mine workers.

After a device or machine shall have passed the experimental stage and is in shape to be introduced as a regular component part of the production of coal, then for the purpose of determining a permanent scale of rates for operating such device or machine the mine workers may have a representative present for a reasonable time to witness its operation, after which a schedule of rates shall be determined by mutual agreement, which scale shall be concluded within 60 days after a fair test has been made.

B. The Minority Report[1]

Wages.—The joint report predicates its calculation of what it deems a fair wage award upon the rise in the cost of living as estimated in a preliminary figure of the United States Bureau of Labor Statistics, namely, 97 per cent increase since the pre-war period up to December, 1919. They say, further, they "were guided by the principle that every industry must support its workers in accordance with the American standard of living." Unfortunately, this increase of the majority report, even if granted—and we show later it is not—does not conform to any known standard of living except one that is necessarily degraded and debased, because the pre-war wages of the mine workers were inadequate for comfort and decency, and the joint report makes no attempt to show that the awarded rates will enable the recipient to earn a wage sufficient to maintain himself and family above the poverty level. The mine workers submitted data from Government sources and from prominent experts, all pointing to the necessity of at least $2,000 per year, whereas the proposed increase will bring the yearly earnings that may be expected up to an average of only $1,000 to $1,300 and a maximum of only $1,600 to $1,700.

We object to this method of wage determination, for two reasons: First, because it results in perpetuating all the old hardships and suffering attendant upon an inadequate wage; and, second, because it makes no allowance for the fact that during the past two and three years the mine worker has been obliged to curtail his standard of living on account of prices soaring far above the purchasing power of his wage. It is true the report makes mention of this in the following terms: "We hope that there will be a decline in the cost of living in the next two years, but we realize that the miners have borne an increase above their advance of wages and consider the possible future decline in living costs as an offset for these losses."

[1] By John P. White, Commissioner.

In other words, the report sets a "hope" before the mine workers as sufficient recompense for actual monetary loss in the past. With all the objections that exist, however, the mine workers would be willing to accept gracefully this method of procedure, if the calculation and the apportionment of the increase were to be properly made.

There are two errors into which the joint report has fallen in the calculation and apportionment of its wage increase. In the first place, the weighting chosen is upon the *tonnage* basis, instead of upon the *man* basis; and in the second place, the day workers, who have received the larger increase heretofore, are utilized to depress the average increase due to pick and machine miners, *and then are not themselves awarded even the increase as thus depressed.*

We make no special criticism upon averaging respective increases that have heretofore been received in the four fields of western Pennsylvania, Ohio, Indiana, and Illinois on the tonnage basis, and we accept the figures of the joint report for the average increases in the central competitive field that have been received, respectively, by the machine miner, the pick miner, and the day worker. These increases are:

	Percentage
Machine miner	48.5
Pick miner	35.5
Day worker	76.1

However, when it is sought to combine the increases of the machine and the pick miner, obviously the weighting chosen should be on the basis of the number of men actually employed at the two occupations, and not upon the number of tons produced by the two methods. *This wage determination is intended to fix the compensation to be paid to human beings, to enable them to support life in such a manner that they will be a credit to the country.* The number of tons of coal that these human beings are able to produce should not be allowed to be a determining factor, though it is doubtless important. A coal-mining machine is able, on the average, to produce about 17,000 tons of coal per year. The production per employee is considerably less than 1,000. If, then, the figures are weighted on a tonnage basis, the machine is made the dominant factor, far outweighing the man.

Below is given in parallel columns the effect of these two systems of weighting upon the increases that have been received since the

pre-war period (1913). (Compare the discussion of the majority report on pp. 367–68 with accompanying table.)

	Weighting on Tonnage Basis		Weighting on Man Basis	
Machine miner.....	66% of 48.5%....	32.01	23% of 48.5%..	11.16
Pick miner.....	34% of 35.5%....	12.07	77% of 35.5%..	27.33
	100%	44.08	100%	38.49

The effect of this difference is seen when the miner is combined with the day man. (At this step the joint report uses the man basis, though here again the mine worker receives the worst of it owing to the excessive weight placed upon day men—36 per cent instead of the correct 30 per cent.) The joint report states that the average increase already received for all employees combined is 55.61 per cent. The proper weighting on the man basis reduces this figure to 52 per cent and if the proper distribution of miners and day men is adopted the figure will be 50 per cent. This means that the increase to be awarded, if it is done on this basis, should be, not 27 per cent as claimed by the joint report, but 31 per cent, and the increase in tonnage rates should be not 24 cents per ton but 27 cents per ton.

The living wage.—The proposal of Messrs. Robinson and Peale for a 27 per cent increase in wages is based upon the idea that such an increase will restore the prewar status of the mine worker. This results in a gross injustice, as pointed out in the preceding section, to those employees whose wages had been little increased between 1914 and 1919. Thus the pick miner, who previously had been the basing occupation in making wage increases, received an increase of only 35.5 per cent between 1914 and 1919. The proposed additional increase of 27 per cent would give the pick miner a total increase of only 72 per cent over his 1914 rate, an increase far below the increased cost of living as accepted by Messrs. Robinson and Peale themselves. It is absolutely no solace to the pick miners, under such circumstances, to be told that the average increase for all mine workers had been as great as the increase in the cost of living, any more than it would be to a street car conductor to be told that even though he received no increase in wages, the average earnings of street car employees had enormously advanced, owing to large advances granted the motormen. Each man must live on the opportunity of earnings within his own occupation.

But even if these inequalities had been adjusted and every occupation had been restored to its prewar earning capacity, the mine workers

would not feel that full justice had been done. For the primary demand of the mine worker before this commission was not for a restoration of prewar conditions, their primary demand was for a living wage—a wage which would permit the average mine worker to maintain his family in health and decency; to live in modest comfort as regards housing, food, and clothing for his wife and children; to enjoy some of the minor pleasures of living; to set aside some little of his income against old age and disability; to live, in other words, according to the accepted standards of an American citizen.

We are highly gratified to note that Messrs. Robinson and Peale, in their report, recognize the justice and righteousness of this demand. They state that in arriving at their proposal they "were guided by the principle that every industry must support its workers in accordance with the American standard of living." Thus our contention is conceded as fully and expressed as well as we could desire. The disappointment is that the concession is merely in words. The principle is granted but no attempt is made to apply it. Instead, the wage proposal is based, as noted above, on the idea that justice may be done by restoring unjust conditions of the past.

In the light of modern principles we find that even if the miners are granted sufficient increases to keep pace with the rising cost of living, the resulting rates would fall far short of the measure of justice. The mere maintenance of the old earnings would mean the necessity of continuing the practice of putting children and young persons to work, of bringing lodgers into the home in order to supplement the inadequate earnings of the head of the family.

[There follows a series of citations from various studies of wages in relation to cost of living, designed to prove the inadequacy of the pre-war miner's wage.—Ed.]

It is clear, therefore, that an increase of 27 per cent in present wage rates would fall far short of raising these workers to a level of health and reasonable comfort.

IRREGULARITY OF EMPLOYMENT AND THE SHORTER WORKING DAY

The relationship between production and the problem of irregularity.—We agree fully with the statement of the majority report concerning the importance of irregularity of mining operations as a cause of unsatisfactory working conditions as well as of high prices. The fundamental importance of this phase of the subject was ably stated by Mr. Herbert Hoover in his inaugural address before the American

Institute of Mining and Metallurgical Engineers, February 17, 1920, in which he said:

> Many of the questions of this industrial relationship involve large engineering problems, as an instance of which I know of no better example than the issue you plan for discussion tomorrow in connection with the soft-coal industry. Broadly, here is an industry functioning badly from an engineering and consequently from an economic and human standpoint. Owing to the intermittency of production, seasonal and local, this industry has been equipped to a peak load of 25 or 30 per cent over the average load. It has been provided with a 25 or 30 per cent larger labor complement than it would require if continuous operation could be brought about. . . . . There lies in this intermittency not only a long train of human misery through intermittent employment, but the economic loss to the community of over 100,000 workers who could be applied to other production, and the cost of coal could be reduced to the consumer. This intermittency lies at the root of the last strike in the attempt of the employees to secure an equal division among themselves of this partial employment at a wage that could meet their view of a living return on full employment.

This states the gist of the whole problem. The question of a living wage cannot be considered apart from the problem of securing the mine worker enough days of employment to enable him to earn such a wage.

Thirty-hour weekly average cannot be increased by regularizing market.—To put the matter most charitably, the majority report shows great inconsistency in that, while recognizing the inability of the market to absorb full production, it still implies that a solution can be reached by regularizing the market. In other words, the presumption is that unemployment can be eliminated by being distributed. The casual reader of the majority report will undoubtedly assume that regularization of the market will provide full-time employment for the mine worker. This would be a gross misapprehension. For a study of the best available material shows clearly that had available labor been utilized to a reasonable extent during the year following the armistice the output would have been far in excess of the market demands. Mr. Francis Peabody, who was chairman of the coal committee of the Council of National Defense during the war, recently stated to a Senate committee that the total cost of production of coal, as well as the earnings of the miner, depends entirely upon continuous work, and that the cost of his mines is affected by irregular operation to the extent of between 50 and 60 cents a ton. Commenting further on the existing irregularity of

operation, Mr. Peabody makes the striking statement that the physical capacity of the mines themselves throughout the United States is sufficient to produce 40 per cent more coal than the possible demands of the country.

This may be expressed in another way. With an average of 30 hours of operation per week the industry can meet all the requirements of the normal market. This is no hypothesis. It is based upon the figures given in the weekly reports of the United States Geological Survey. The extraordinary demands of the war years were met with an average operation of between 30 and 40 hours per week, the highest figure being under 42 hours per week; while the normal needs of the country for the year following the armistice were met by an actual operation averaging under 30 hours per week. In other words, the voluminous suggestions for regularizing the market put forward in the majority report will amount to a regularizing of the 30-hour week, or to an award of a 5-day week, with 6 hours per day.

But there lies the evil of the suggestion carried in the majority report. While actually recommending readjustments which will mean such a regularization of the 30-hour average week actually necessary to meet the production requirements, it avowedly awards a 48-hour week and of course bases its wage award upon that number of working hours. In other words, while verbally accepting the principle of the living wage, it actually fails to afford the worker an opportunity to earn this living wage which is based upon a hypothetical 48-hour week. This arrangement of the award closely approximates hypocrisy. For it will lead the public to accept the wage award as just on the supposition that the bituminous mine worker will have an opportunity to work as many hours per week as his fellows in other industries: a supposition which we have shown by elaborate statistics, drawn from the most authoritative sources, to be utterly false. What does this suggestion of the majority report then mean? *It means simply the regularizing of unemployment, its distribution throughout the year so that it will be less noticeable.*

It is because the wage award suggested in the majority report will be conceived and judged upon the basis of a 48-hour week that we wish to stress the present improbability of a week of more than 30 hours whatever the award may say. This discrepancy between the week actually awarded and the week which will be worked is the true measure of the unfairness of the award. For it is a measure of the amount which the mine workers will apparently receive and will not

actually receive. It is this failure of the majority report to deal with actual conditions that requires comment. If the American mine worker produced only as much coal as his fellows in other countries, he would have full employment, for it would require more hours to produce the amount required by the country. As it is, the American mine worker produces more tons per year than his fellow in any other country in the world. *This is clearly substantiated by data compiled by the United States Bureau of Mines. And his great productivity brings him not shorter hours with correspondingly higher pay, in order that he may earn a living wage, but unemployment and an accident death rate twice as high as the average for these same other countries.*

In the face of these facts we feel that the request that the actual facts of the industry be recognized and that the wage increase be related to the fact that an average week of 30 hours will produce all the coal required by the country is fundamentally just. *Failure to face a situation in which 30 hours a week will be averaged whether it is officially sanctioned or not is merely juggling with solutions in order to avoid the true issue.*

The request for the recognition of a shorter working day has been misrepresented as a movement for the reduction of the working period, when in reality it is a request for recognition of what actually exists and the adjustment of wages on that basis. With inadequate rates of pay in the face of lack of opportunity to work, the position of the mine worker has grown desperate.

The cost of excessive capital when unemployed.—The majority report has carefully provided that labor shall be paid on the supposition that it works an average 48-hour week, and the public will call it a fair wage on that basis. The difference between the hypothetical 48-hour week and the actual average 30-hour week represents a part of the year for which the majority report makes no provision so far as labor is concerned. On the other hand, it ignores the fact that the nation is called upon to pay profits and maintenance to capital on the basis of its normal employment being a 30-hour week. Capital is to get its full normal remuneration, although it works but 30 hours per week on the average. That is to say, the majority report tacitly awards the companies a 30-hour week while denying it to the mine workers.

The conclusion drawn by the operators was that if the country needed the mine workers only 212 days out of the year, it was under no obligation to pay them a living wage for the full year. Let the

mine worker go out and find a job somewhere else. In other words, the speaker implied that the public was under no obligation to give the mine worker sufficient annual earnings to maintain his family for a full year when it only needed his services for three-quarters of a year.

This, of course, led naturally to a similar question in regard to the capital invested in the industry. Was the public under any obligation to maintain this capital, whether it worked or not? In other words, if a 30-hour week, as actually worked during 1919, was not to be recognized for the mine workers, should it in equity be recognized for the companies? For, obviously, when the mines were idle the capital invested in the mines was no more serving the public than were the mine workers. And yet, as a result of careful analysis of financial returns, found in the reports of the companies and in the report of the Federal Trade Commission, the interesting discovery was made that in paying the regular price for coal the public is paying the coal companies over $100,000,000 each year for periods when the companies are doing nothing for the public; that is, for periods when the public does not need their services. This is not the whole amount paid to capital in the coal industry during the year. It is only the amount paid for maintenance and profits during the actual days of idleness; for capital invested in the coal industry expects the public not only to maintain it—that is, to pay its expenses—during these periods when it is unemployed, but also to pay profits for no services at all.

The earnings of the wage earner are not given exclusive of the cost of maintaining himself and family. The question of a fair return to the worker is not based upon his profit over and above what it requires to maintain him as a serviceable member of industrial society. Applying this to capital invested in the coal industry, the full wage must naturally include maintenance, depreciation, and depletion charges, as well as the interest and dividends paid on stocks and bonds. The question raised by the operators was, therefore, found to involve the question whether the nation is under any obligation to continue this wage to capital whether it works or not.

The exhibit presented by the mine workers shows that in the cost of each ton of coal are items of overhead and profit which continue whether the mines are working or not. Taking these items only for the period when the mines were idle in 1917, it was found that for this period of idleness the public paid the coal operators approximately

$144,000,000; that is, $225 per man employed. In the following year the total paid to maintain invested capital in idleness was approximately $128,000,000, or $200 for each man employed. And it must be remembered that none of this went to the mine workers, and that they were, during these periods, without opportunity to earn a wage.

In view of these facts, the answer to the question must apply to capital as well as to labor, to the companies as well as to the mine workers. Should it be decided that the public is under no obligations to maintain its servants during periods when they are not actually serving, it would immediately be clear that when the public pays only for the maintenance of the companies during the portions of the year when they are actually working, there will remain over a very large annual fund out of which may be met the cost of the living wage asked by the mine workers and of the shorter working day as a means to greater regularity.

RELATION OF LABOR COSTS TO TOTAL COSTS, PROFITS, AND PRICES IN THE BITUMINOUS COAL-MINING INDUSTRY

A survey of the coal-mining industry demonstrates conclusively the fallacy of the assumption that wage increases have been the primary factor in the advance in the price of coal over prewar prices. It is equally erroneous to assume that the proposed wage increase now under consideration for bituminous mine workers must necessarily be followed by a corresponding increase in the cost of coal to the consumer. The utter falsity of this position is clearly shown by a review of the Federal Trade Commission's recent report on the coal industry and other official data bearing on the production and distribution of coal.

An examination of these data shows that the increase in the retail price of bituminous coal since 1916 has been from three to four times as great as the increase in labor costs during the same period, and that the operator's share in the proceeds of the coal industry has increased from 75 to 400 per cent, while the distributive share of labor has actually decreased.

In the central Pennsylvania coal field, for example, out of every dollar received by the operator in 1916 for his coal, 66 cents went to labor, while 6 cents was retained by the operator as his profit. In 1917, labor received only 46 cents out of each dollar, while the operator retained 32 cents. This was a decrease in labor's share of 30.3 per cent, and an increase in the operator's share of 433.33 per cent. In

1918, labor's share of each dollar was 35 cents, a decrease over 1916 of 16.7 per cent, while the operator's share was 25 cents, an increase over 1916 of 316.7 per cent.

Again, in the southwestern field, labor's share of the dollar in 1916 was 60 cents, and in 1917 it was only 39 cents, a decrease of 35 per cent, while the operator's share in 1916 was 13 cents, and in 1917 it was 42 cents, an increase of 223 per cent. In 1918, labor's share was 55 cents, as against 60 cents in 1916, a decrease of 8.33 per cent, while the operator's share was 24 cents as against 13 cents in 1917, an increase of 84.6 per cent.

Thus, there are established the following facts: (1) that increased coal prices were not due to increased labor costs, but on the contrary, were due largely to increased profits exacted by the operators; and (2) that increased wages to labor were more than offset and rendered less than negligible by the increased efficiency and increased productivity of labor.

PROBLEMS

1. What "principles" does the commission follow in making its award? Do you consider them valid? Why or why not?
2. Does the minority report object to the award chiefly on questions of principle or on questions relating to the way the principles are applied in this case? Analyze carefully.
3. Are there any differences as to the use of factual data?
4. What questions relating to the productive organization of the industry are raised by the award?
5. How is the wage increase likely to be paid for: through increased productivity, by the operators, or by the public through higher prices? Suppose the latter. Should the increase be granted?
6. What is the essential contention of the miners regarding the calculation of their incomes on an annual basis? What do you think of it?
7. With which report do you agree in the main: that of the majority or the minority? If you agree with neither, can you suggest an alternative solution?

PART FOUR

SECURITY AND RISK

INTRODUCTION

The subject of this part finds its genesis to a great extent in the changes wrought by modern industrialism. That the changes attending the passing from simple to complex industry have in many cases meant security to the worker cannot be doubted. Yet there is also a story to be told of new fears and risks that have arisen or old ones that have been greatly intensified. Modern production and the work of the machine-tender involves many and serious accidents, disease arises as a consequence of handling unhealthful substances, workers fall sick and become liable to lose their step in the economic process, the drive of the machine threatens to bring on industrial old age before a competence for the declining years has been provided, and a thousand and one factors raise a constant threat that unemployment may be the lot of workers at a time when they can little afford to be idle.

It is the purpose of this part to examine into the extent to which security, on the one hand, and fear and risk, on the other, are the lot of the worker; to appraise the consequences of this state of affairs; to seek for its causes; and to become acquainted with some of the more common devices that have been proposed for diminishing the worker's risks.

CHAPTER XIII

GENERAL CONSIDERATIONS

1. SECURITIES IN MODERN ACHIEVEMENTS AND METHODS[1]

Security of life.—One of the outstanding securities possessed by the worker today is a relative immunity from famine and disease. The wonderfully improved means of transportation have brought the products of the areas having a surplus to the very doors of the areas suffering from scarcity, and the no less marvelous improvements in medical knowledge have rendered the recurrence of the plagues of the Middle Ages unthinkable. "It was not for nothing," says L. C. A. Knowles in *The Industrial and Commercial Revolutions in Great Britain during the Nineteenth Century*, "that the English Prayer Book has two special prayers against famines, two against scarcity arising from excessive rain, and a petition in the Litany to be delivered from plague, pestilence, and famine." The medical practitioner of 1775 was confined largely to the exercise of two remedies, bleeding and the administration of a physic. Within the short span of a century and a half the medical profession has passed through a series of developments until today training is no longer given as a rule by the master teaching his neophyte as he goes the rounds of his patients, or by institutions motivated chiefly by the desire for profits, but by endowed or state-supported medical schools whose attitude and approach is purely scientific.

The utilization of steam in transport has made it possible to throw a network of railroads over the continents and to convert the ocean from an impassable barrier to a beckoning highway. It follows that if the wheat crop fails in the United States, the harvests of Argentina or India can supply the deficiency. There is a whole world today to draw upon, and this fact means that the worker has a security against famine never previously enjoyed.

Security through participation in government.—Formerly government was in theory and fact the concern of the few. Today, although the actual functions of government are still exercised by a small

[1] Prepared by Willard E. Atkins.

group, the possession of the ballot by the worker is likely to make these rulers conscious of the fact that the power they hold is delegated. True, the worker may be characterized as both blind and somnambulant; yet he is a giant the possibility of whose awakening causes his interest to be treated cautiously and sometimes with solicitude.

Security through education.—Another security is seen in the universalizing of education. The worker's share in education has, to be sure, been limited by his occupational restrictions and confined largely to the more primary matters. But the ability to read and write has tended to limit his exploitation, and has afforded him some measure of self-expression and the means of co-operation with his fellows. Perhaps it is not making too strong a statement to say that education is the worker's greatest leverage for overcoming the handicaps imposed because of lack of property, family position, and control over the conditions of his employment.

Security through expanded production.—Contributing to the security of the worker is the technical efficiency of machine society in producing vast quantities of want-satisfying goods. But, someone may object, of what avail is it to increase the amount of consumable goods if population in industrial society tends to increase in the same or even in an accelerated ratio, or if the increase in the sum total of goods produced is not accompanied by corresponding improvement in the distribution of these goods to assure the worker a proper share in the potential comforts and pleasures which these goods represent? It is true that a large increase in population has accompanied the transformation of agricultural nations into industrial nations. But much of this increase is due to immigration from other areas and to greater conservation of human life, particularly the reduction of infant mortality, rather than to a proportionate increase in the birth-rate. Moreover, there is considerable evidence that advertising and the subtle suggestion of still higher accessible standards of living tend to limit the willingness of human beings to assume the burdens of unlimited families. The propaganda for particular methods of birth control has probably accomplished much less than the realization that unlimited propagation nullifies the very gains made possible through desire-creating mechanisms. To the second objection, that unequal distribution may prevent the worker from sharing in the increased total of want-satisfying goods produced, it should be observed that such growing devices as inheritance and income taxes built upon a progressive base, the fast growth in city, state, and

national concern for common access to education, playgrounds, art galleries, etc., and the assurance of certain minimums in wages, safety, and health—all tend to secure a direct distribution of wealth upon a more equal basis or to distribute it indirectly by making the more fortunate pay the costs of providing through state activities for the welfare of the mass.

Security through mass action.—Additional security is gradually becoming a fact through the campaigns to prevent accident, stabilize employment, and, where a loss cannot be avoided, to meet it through various systems of insurance whereby the direct or indirect difficulty of the individual is provided for by contributions from the mass. Under this heading can be suggested campaigns like the "safety first" movement, legislation providing safeguards for workers, studies in the prevention of unemployment and occupational disease, and various forms of insurance to meet the burden of ills which cannot be prevented which include various forms of insurance against accidents, unemployment, dependent old age, sickness and occupational disease.

Security through class consciousness.—These securities of mass action have been greatly abetted by class consciousness. It is the recognition of the solidarity of class interest which has made large groups of organized workers willing to contribute to the support of smaller local groups or isolated individuals which may be dependent for example, because of strikes, sickness, death, or unemployment. It is true that some of the securities which we are here discussing are at times afforded by the state or even by the voluntary action of employers.

However, it may be objected that class consciousness leads to the insecurities resulting from industrial conflict. In one sense, this is true; but the larger effect of this conflict seems to be the defining of issues and the forcing of new social arrangements which, on the whole, have favored the worker in such matters as hours of labor and conditions of employment.

Security through ethical standards.—Modern workmen appear to be more secure through the development of ethical standards. It is true that the earlier era of concentrated, impersonal machine industry destroyed both the claim on the employer and the claim on the community which the manorial worker possessed. Spontaneous aid to a sufferer has become less easy in the sharply competitive and commercial city. Yet the power of the state is gradually being evoked to protect women and children, and workers in extra-hazardous

occupations. Housing programs and regulations, free libraries and clinics, all point toward the increasing socialization of property. Codes of professional ethics have been developed to safeguard particularly the less fortunate from the prosecutions of shyster lawyers, the purveyor of fraudulent securities, and the medical quack. Growing respect for human beings as human beings has been reflected in the appeals for guaranties of minimum standards of living, the breaking of caste barriers to education, the abrogation of cruel and unusual punishment, and theories and procedures designed to secure to all equality before the law.

Security through method and spirit of science.—Finally it may be said that underlying all these securities of the modern worker is the scientific method itself, the method of fearless investigation and application which assumes that all phenomena lie within the sphere of man's potential knowledge and possible control. The complexities and interdependence of industrial society resulted from the interaction of forces which, once set in motion, society has been powerless to stop and, as yet, powerless to control. Innovations have met and mingled with other innovations in ways which no one foresaw or intended. But though most of the larger changes occurred unconsciously and unintelligently, the multitude of ways in which man's control over his environment has been extended have all tended toward the breakdown of taboo and to the realization of the inherent assumption of science that nothing is too sacred or too difficult to be subjected to man's intelligence. The scourge of yellow fever is no longer regarded as a supernatural manifestation of divine wrath. It is an affair of microbes, mosquitoes, and stagnant water. Navigation of the air, a proposal whose presumption was illustrated by the fable of Icarus, and whose absurdly impossible nature was emphasized by the derisive poem, "Darius Green," is now a stale wonder. Everywhere are the evidences that the taboo which once was attached to every new inquiry and experiment will ultimately be attached to nothing but the vain attempt to limit the sphere of investigation and control. Man has passed first through the period wherein he, like other animals, appropriated the things which nature furnished, then through the period in which he adapted the things of nature to his own use, and finally he is at the threshold of the period wherein he knows he can and he is molding "an artificial world nearer to his heart's desire. Creative evolution is at last becoming conscious." With it all the worker is promised a security beyond anything which he has yet attained.

2. THE IMMINENCE OF FEAR[1]

It is impossible to exaggerate the imminence of fear in the lives of workers wholly dependent upon continuous employment for the immediate necessaries of life.

Capital can wait for its reward. Moreover, the capitalist is at once a capitalist and a potential laborer. If permanently deprived of his capital, he but experiences the lot of the average worker who is expected to be happy so long as he has opportunity to work. Capital, moreover, is free to move about. It suffers little from fears of isolated position, substitution, dismissal, arbitrary and unjust treatment. Such risks as it runs are very largely its own. How vastly different is life to its possessor under such circumstances!

It is the fear of unemployment which lies at the root of most of the minor fears which labor entertains. The fear of unemployment is in reality the fear on the part of Labor that capital will not be provided to carry on industry continuously, and under conditions which will afford adequate remuneration to effort. It is an outgrowth of the fallacy that quantity of work is necessarily limited. This fear gives rise to the fear that the introduction of new machinery, or the increased use of machinery already installed, will displace labor; the fear that speeding-up processes will diminish work; the fear that female, child, unskilled, or imported labor will be substituted for skilled; the fear that men of one trade will encroach upon the work for which men of other trades have been specially trained; the fear that the number of apprentices will be so increased as to lessen the requirement for skilled hands; and the fear that long hours and continuous overtime will exhaust employment.

Allied to the fear of unemployment is a class of fears which, as seen, have a special bearing on industrial peace: the fear of discharge and of unfair treatment through the utter helplessness of the isolated workman in relation to the capitalist employer, and, still more, in relation to a powerful corporation; the fear of lockouts or arbitrary exactions, and the many fears incidental to tyrannical and capricious behavior on the part of those in authority, and especially of subordinate officials toward workers under their direction. This fear extends to the power of wealth to defeat the ends of justice, by corrupting officials and influencing or controlling the judiciary and legislatures, and to the influence also of a class interest and sentiment on the part of the moneyed classes as distinguished from the working classes.

[1] Adapted with permission from W. L. M. King, *Industry and Humanity*, pp. 236–39. (Houghton Mifflin Co., 1918.)

With it are allied the many fears which have a special bearing on health in industry: fears, for example, of physical injury and ill-health, and of inadequacy of compensation or redress when injury is done.

Arising from the worker's sense of utter helplessness is also the fear of the absence of any voice in determining the contract on which services are given, and the fear, in consequence, of unfair terms of bargaining and in determining the rate of remuneration, the hours of labor, and working conditions. This extends to the fear of reductions in standards already gained; the fear of individual or general reductions in wages, of increase in hours, of change in customary practices; the fear of resistance on the part of employers to combination; and the fear of methods intended to destroy or weaken organization. Whatever begets fear of opposition to organization helps to intensify other fears.

Beset by fears at once so numerous and constant, it must be apparent that Labor is in no way capable of putting forth effort to the utmost of its capacity. Where the mind is in a state of unrest, the arm is divested of some of its power, and the hand of some of its skill. Time which otherwise might be freely employed in furthering production is consumed in effecting organization against ills that are feared, or in agitation concerning their existence.

3. INSTABILITY OF THE MODERN WORKER[1]

The basic difference between the present day worker and the peasant and serf of the past is the difference between stability and instability, between security and insecurity, between regularity and irregularity. The common round of tasks which filled the lives of the peasant from day to day and year to year has no existence for the mass of wage earners. So many workers are drifting constantly, so many others have their regular habits and customary existence undermined by unemployment and lay-offs that even those who remain stationary are infected with the restlessness characteristic of the less stable.

Instability means lack of regularity for the individual and for society as a whole, it means constant friction, constant danger, constant upsetting of old standards and the increasing difficulty of creating new ones. The older agricultural economy which the industrial revolution upset was one that lent itself to the growth of custom, habit and tradition. Order, regularity, system and repetition of

[1] Taken with permission from Frank Tannenbaum, "Labor Movement Psychology," *New Republic*, XXIII, No. 292 (July 7, 1920), 169–72.

the tasks of yester-year were the prevailing forces in the world before the machine tore mankind from its traditional mode of life and labor. For thousands of years men lived lives defined by custom and made familiar by habit. The weight of centuries of traditional method was involved in each task done and in each plan made. A hundred centuries of routine dominated social organization. Men felt safe and comfortable in the knowledge and sureness of previous procedure. Men accepted the world they lived in with but little questioning. Doubt—the doubt of the wisdom and propriety of the manner in which things were done—was not so keen, so widespread and so distinct an aspect of the world in which men found themselves. Mental discomfort was at its minimum. All this has been changed. The premium, instead of being on the traditional, has been transferred to the novel. New things, new ways, new methods, new explanations, new procedure are the demands and the expectations that fill our daily lives. Ours is above all a dynamic age—and it is dynamic not only in terms of new mechanical processes but in terms of new relationships which these new processes enforce upon society. All of these forces compel a revaluation of accepted values and contribute both to the agitation of the mind and the discomfort of the body.

To this fact of change and irresponsibility there is to be added another important element in the worker's life, his keener, more vivid and more constant sense of insufficiency. Men are both more equal and more unequal than ever before in the history of the world. They are more equal as men and less equal as possessors of material wealth. The imagination, the background of basic information, the sense of values, of needs and of qualitative understanding is more nearly on a level than ever before. At the same time, however, ownership is less equally divided. Men desire more because they know more; but they satisfy these desires less, comparatively, than when their needs were more limited.

The inequality of wealth is extraordinary. A single illustration will do. Nine-tenths of the wealth in Great Britain is possessed by less than one-tenth of the population. This is a striking fact, one that the annals of English history cannot duplicate. What is true of England is true to a less degree of the United States. Never in the world has the poverty of the migratory worker on the one hand and the riches of the multi-millionaire on the other existed side by side. Poverty is comparative. Absolute poverty is rare. A beggar is infinitely richer than he who owns nothing. The beggar generally possesses a torn suit of clothing and a leaky pair of shoes. That is not

much, it is true, but it is something. He may be said to be on his way from absolute poverty to absolute riches. But he has a long way to travel. The peasant in the France of Louis XIV was richer relatively than is the modern migratory worker, richer at least in the possession of security.

4. FEAR AS A BREEDER OF WARFARE[1]

A careful analysis of the fears which surround Labor and Capital discloses that, almost without exception, they are bred of mutual suspicion for which, it must be admitted, experience has given ample grounds. Deeper than suspicion lies a belief, sometimes consciously, oftener unconsciously, entertained, in *opposed* as contrasted with *common* interests. This suspicion and distrust between the parties to Industry resembles nothing quite so much as the suspicion and distrust on the part of nations which leads ultimately to war. The fear that Labor will not put forth its utmost effort causes Capital to dilute labor, substitute machines, speed up processes, cut rates, and resort to the hundred and one other devices which fill Labor with alarm. The fear that Capital will seek to take advantage of increased effort causes Labor to restrict output, and to resist attempts at increasing productivity through the introduction of new methods and processes or the promotion of efficiency in other ways. Labor's attitude of resistance fills Capital with alarm. Capital's attitude increases Labor's resistance. And as fears increase, antagonisms develop. A growing class consciousness conceived in mistrust gives birth to vast organization, leading to intensified fears of Labor, on the one side, and of the moneyed interests, or Capital, on the other. Might comes to be substituted for Right. The fruits of Industry come to be viewed as the surface of the globe is viewed by warring nations: as so much in the way of possession to be apportioned, not by Reason, but by Force. Thus is commenced and developed the same kind of competitive arming which has proven so fatal between nations, the same kind of alliances on the part of opposed groups, the same inevitable drift toward ultimate disaster to all concerned.

5. THE RISKS OF THE WORKER[2]

Classification of risks.—In common with all individuals the worker runs the risk of death, accident, fire, war, disease, etc., the risks due to his carelessness which include many accidents and deaths,

[1] Adapted with permission from W. L. M. King, *Industry and Humanity*, pp. 260–61. (Houghton Mifflin Co., 1918.)

[2] Prepared.

and the risks due to the dishonesty of other persons. As a member of the working class, however, he bears the unique risks of unemployment, underemployment, or overemployment, long hours, the risk of inadequate wages, the risks arising out of industrial antagonism, the risks of specialization, the risks due to the characteristics of the machine, the risks of anti-labor legislation, and the risks of competition from his fellows; in particular industries, moreover, he runs the risk of seasonal employment, of occupational disease, of sweating, of accidents, or moral devolution. The mere enumeration, however, of the risks to which the worker is subject does not convey any adequate notion of the general degree of hazard to which he is subject as compared with the employer. To gain this adequate notion it is necessary to consider some of the special factors affecting the worker's position.

Insecurity of pecuniary position.—One of the most important of these is the insecurity of his pecuniary position. For the great rank and file of workers wages are so low in comparison with the cost of living that little is left over from the weekly pay envelope after the ordinary household expenses have been met. Such being the case, not only is it impossible for the worker to lay by a large sum against the possible "rainy day," but he is also unable to expend any very large amount for the services of others, or for education which would enable him to combat his risks more effectively. The employer, on the other hand, with larger financial power at his disposal, is in a position to purchase the most expert service in handling his risks, to take adequate insurance against their occurrence, and to secure such an education for himself and family as will insure a continued recognition of risk and effort to overcome it. The influence which this preferred pecuniary position of the employer has had in the past is evidenced by the many standardized methods and institutions which have been developed for dealing with employer's risks. Thus we have the various types of property insurance, of business insurance, the stock and produce exchanges, and the various bureaus and services for forecasting and preventing the occurrence of events harmful to the employer's interests; and contrasted with these we have the comparatively undeveloped forms of insurance applicable to the risks peculiar to the employee—insurance against occupational disease, against accidents and against unemployment.

Risks not recognized.—A second factor working to the worker's disadvantage is his inability to secure a wide-spread recognition and

appreciation of his risks. The cessation of one worker's activities, as the result of the operation of the risk of accident, for example, is of not nearly such great significance or news interest, as the destruction or failure of a plant supplying thousands of consumers. The absolute amount of the loss occasioned by destruction or failure of the plant is much greater than in the case of accident to a single worker. Moreover, the employee attending to the plain business of getting a living has little time, or little inclination to occupy his leisure time studying methods of avoiding or overcoming risk, securing public recognition, or obtaining the education which will enable him to meet his risks effectually.

Risks affect employee personally.—Finally, the degree of employee's hazard is greater than that of the employer for the reason that the risks to which the employee is subject affect him more personally. That is to say, if such risks as unemployment, accident, or occupational disease materialize, the employee suffers directly, in physical pain, in hunger, and in the deprivation of his home of the necessities of existence. Materialization of employer's risks on the other hand acts first on the plant organization and only secondarily on the individuals who compose and control it. The effect of destruction or failure of the plant may it is true bring about a reduction in the employer's standard of living, or may reduce him to the rank of an employee, but rarely does it bring him to such extremities of personal want as does the functioning of risks for the employee.

PROBLEMS

1. Do the recent famines in Russia and China and the epidemic of influenza in 1918 bear out the statement: The worker today has a security against famine and disease which he never possessed before?
2. Of what significance to the worker is the fact that the teaching of medicine is rapidly being taken out of the hands of profit-seeking institutions?
3. "Famine is never an absolute fact. The word implies simply that the price of food has passed beyond the worker's ability to buy. The undernourishment of the working class is testimony to the fact that they live constantly in a state of semi-famine." Discuss.
4. Does the worker today have security against arbitrary treatment by the government?
5. Does the fact that possibly 30 to 40 per cent of the workers stay away from the polls nullify the supposition that they have a security through increased participation in government?

6. "The worker today is in a far better position than the medieval serf who was forced to go to war at the whim of his lord." "The modern state in war time exercises its power of conscription without consulting the worker." Has the worker gained or lost in security against war?
7. Many matters are supposedly given thoughtful attention by statesmen which would be ignored if the worker did not possess the ballot. What matters? Be specific.
8. "The work of the research student and the more general teaching of the social sciences contributes to the security of the worker." Give content to this statement.
9. A labor leader: "Any teacher who is intellectually honest can do more for the labor movement than the average officer of a union." Do you agree with this statement? Why or why not?
10. "Education makes the worker articulate." Articulate in regard to what?
11. Is there any real security to the worker in the fact that industrial society is producing increasing quantities of want-satisfying goods?
12. "The question that concerns the worker is not how much is produced but how it is distributed." Do you agree?
13. "Look at the marvelous variety of goods produced today and notice how the worker's life has thereby been enriched." "The worker now has his choice of fifteen expensive denatured breakfast foods in place of the good whole wheat which his ancestors ate." Which statement most adequately decribes the worker's lot?
14. "A worker of moderate skill possesses the possibility of traveling either by auto or by train and in a thousand other ways of enriching his contacts, while the medieval craftsman lived and died within the limits of a few square miles." What significance, if any?
15. "The worker enjoys more security of property than ever before." "It is the security of property in the hands of the few that makes the worker insecure." What validity has each of the foregoing statements?
16. "Programs to prevent accidents, to stabilize employment, to pool financial risk do not constitute a gain in security as compared with the craftsman of 1700; they are simply imperfect devices attempting to meet some of the costs of modern machine industry." Explain and criticize.
17. How can class consciousness, which drives a wedge between the worker and his employer, afford a security to the worker?
18. "Class consciousness leads to conflict and conflict leads to a clarification of the issues." Specifically, what does this mean?
19. We are witnessing today a new development in ethical standards. Where do they come from, and of what significance are they to the worker?

20. "The worker cannot depend upon what people give; it's all a matter of what he can get—and that means conflict." Comment.
21. "Science is neither moral nor immoral; it is 'unmoral.' Just as in war it can and does both save and destroy human life so it can exploit or save the worker from exploitation, and there is no assurance that it will be used to save the worker from exploitation." Discuss.
22. How do conflict and complexity in modern social relations call for the scientific method?
23. "Intelligence originally developed to meet the need of a situation too complex to be handled by instinctive reactions." What does this suggest for the increasing use of rationality in seeking social adjustments?
24. Science is the enemy of taboo. Does science develop taboos of its own?
25. "It is the faith of the scientist that man is not a pawn in a game played by higher powers; that his external as well as his internal destiny is in his own hands." Of what value is such a faith?
26. Draw up a list of the fears of the workers.
27. "Fear does not make for industrial peace." "Once a worker is no longer afraid of losing his job, look for trouble." Which statement is correct?
28. "The worker feels that wealth is likely in a given case to defeat the cause of justice and that doesn't help matters any." What does this statement suggest to you?
29. "Where the mind is in a state of unrest, the arm is divested of some of its power, and the hand of some of its skill." Granted, what can be done by the business manager, if anything?
30. "Remove fear and you remove a disciplining element which has made modern co-operation in large-scale industry possible." Comment.
31. "Among the fears of the worker is the fear of arbitrary treatment by foremen." Granted. What can be done about it?
32. "Labor fears that capital is bent upon one end—its exploitation." "Capital feels that labor has but one goal—to demand so much that business can no longer be carried on." Granted, how do you account for such diverse points of view?
33. "Ignorance is the basis of most fears." Ignorance of what?
34. Can we expect fear to be absent when we have a society conducted by workers who are seeking more wages and employers who are seeking more profits?
35. "The fears of the worker are rather the fears that so-called intellectuals would have if they were workers—but they're not." Discuss.
36. "Workers are dull, sodden, fatalistic. Why talk about what they should fear. They tread accustomed paths and are indifferent toward accustomed hazards." Are these proper characterizations of "the worker"?

37. "If some super-being should suddenly drop down from some strange planet where life was eternal and saw human beings possessed of limited life, he would be inclined to exclaim, 'Man must fear death.' As a matter of fact man doesn't think of death except on rare occasions. It certainly doesn't govern his daily actions." Isn't the attitude of the worker toward what he is supposed to fear somewhat similar? If so, why? If not, why not?
38. What is the best way to determine whether workers actually fear what the readings speak about?
39. What is the essence of risk?
40. "If the happening of an event is certain, risk is gone though cost may continue." Give content to this sentence.
41. Modern Industrial Society has been termed "a risk-creating and risk-bearing society." In what sense in this a proper characterization of our economic organization?
42. "The worker bears all the risks of the employer and in addition has some unique risks to bear." Explain and criticize.
43. "When you state the risks of the worker you are simply stating the risks of the business manager from another point of view." Do you agree? Why or why not?
44. How does increasing knowledge decrease risk? Illustrate.
45. In dealing with risk prevention of harmful events is but a part of the problem. Granted, what is the other part or parts?
46. "No small part of the problem dealing with the risks of the worker is the cost involved." Indicate some of the costs.

CHAPTER XIV

ACCIDENTS

1. EXTENT OF INDUSTRIAL ACCIDENTS

a) GENERAL[1]

The rapid growth of the "safety first" movement justifies the belief that employers as well as the public have realized the economic importance of preventing the waste of human life and efficiency which results from accidents in industrial establishments.

Extent of industrial accidents.—Probably the most trustworthy estimate of the extent of industrial accidents is that made for 1913 by Mr. Frederick L. Hoffman, of the Prudential Life Insurance Company. His estimate is based on statistics from the publications of the U.S. Census, the U.S. Bureau of Mines, various state reports, and the industrial experience of the Prudential Company. "The probable approximate number of fatal industrial accidents," he says, "among American wage-earners, including both sexes, may be conservatively estimated at 25,000 for the year 1913, and the number of injuries involving a disability of more than four weeks . . . . at approximately 700,000." The lack of accurate and comparable statistics relating to industrial accidents renders any estimate of doubtful value; only when the most conservative data are used in making a general estimate, as Mr. Hoffman has done, is the estimate of any possible value in indicating the gravity of the accident hazard as a condition affecting the American workingman. As Mr. Hoffman points out, "At the present time there are no entirely complete and trustworthy industrial accident statistics for even a single important industry in the United States. The most reliable data are those for the iron and steel industries, mining, and railways. For most of the other groups the assumed industry accident rates are relatively low, and in all probability the actual hazards . . . . are somewhat higher than those upon which he based his estimate."

Occupational accident hazards.—Even such statistics as are now available point very clearly to the fact that in some occupations the danger of accidents is much greater than in others. Metal and coal mining appear to be the most hazardous, with railroad employment,

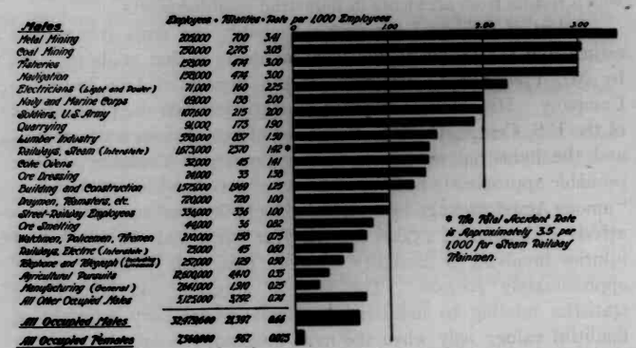
[1] Taken with permission from Lauck and Sydenstricker, *Conditions of Labor in American Industries*, pp. 192–95. (Funk & Wagnalls Co., 1917.)

quarrying, and the lumber industry well up the list of dangerous occupations. They are apparently more hazardous than the occupation of soldier in the United States Army, and between two and three times as hazardous as the average for all occupations in which males are employed.

b) FATAL INDUSTRIAL ACCIDENTS[1]

The following table of estimates was prepared by Mr. Frederick L. Hoffman showing the probable accident rates for some of the typical and representative groups of occupations.

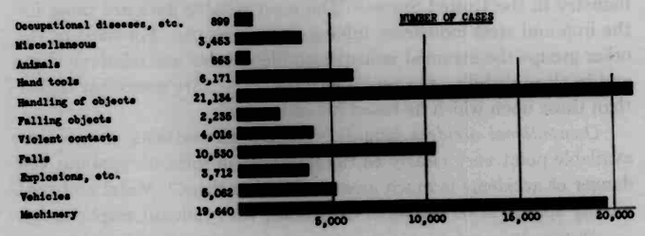
ESTIMATE FOR THE UNITED STATES FOR 1916



NOTE.—Approximately, there are 22,000 fatal industrial accidents per annum in the United States and 260,000 serious injuries.

c) DISTRIBUTION OF INJURIES[2]

A Massachusetts study of the distribution of injuries according to causes resulted in the following graph:

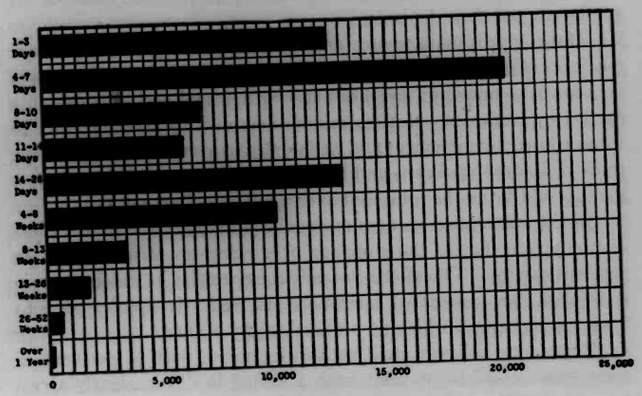


[1] Published with permission of the Prudential Life Insurance Company.

[2] Report Massachusetts Industrial Accident Board, July 1, 1917, to June 30, 1918.

d) DURATION OF DISABILITY IN CASES OF TEMPORARY TOTAL DISABILITY[1]

The length of time the worker is disabled is always a matter of serious concern. The following graph reports the experience of Massachusetts as reported by the Industrial Accident Board.



e) COST OF ACCIDENTS IN 1919[2]

From industrial accidents.—In 1919 there occurred in industry about 23,000 fatal accidents, about 575,000 non-fatal accidents causing four weeks or more of disability and 3,000,000 accidents causing at least one day's disability. The figures for 1918 were about 13 per cent higher.

The time lost is estimated to be 296,000,000 days. Allowing for an average wage of $4 per day during the time actually lost, adding an estimate for impaired earning power because of disability or death, but subtracting the subsistence of those killed, this gives an economic loss of the country of about $853,000,000 for the year 1919.

This is not the whole loss chargeable to accidents.

In one state (Wisconsin) the costs to employers for medical and surgical aid and hospitals' bills, and the overhead expenses of insurance, equaled 86 per cent of the actual compensation paid to workmen.

[1] Report Massachusetts Industrial Accident Board, July 1, 1917, to June 30, 1918.

[2] Adapted with permission from *Waste in Industry*, pp. 22–23. (Published by Federated American Engineering Societies, Washington, D.C., 1921.)

The compensation paid the workmen was about 22 per cent of the total actual and prospective wage loss. Records from other states indicate that this is probably typical. On this basis the total direct cost of industrial accidents in the United States in 1919, including medical aid and insurance overhead, was not less than $1,014,000,000. Of this $349,000,000 was borne by employers and $665,000,000 by employees and their dependents.

These approximate figures are low because they do not include medical expenses incurred by workmen and not paid by the employer or insurance company; overhead cost or personal accident insurance carried by workmen; cost of training new men to take the place of those injured; employment and welfare department expense in keeping track of injured workmen and their families. The addition of these items would bring the total well over a billion dollars per year.

In this calculation no account has been taken of the indirect loss of production due to the stoppage or slowing up of work when an accident occurs. This affects not only the operation at which the man is injured, but associated operations as well. It applies also to "near-accidents" in which no personal injury occurs.

Experience indicates, and authorities agree, that 75 per cent of these losses could be avoided, with a saving in direct, clearly ascertained losses alone of a quarter of a billion dollars per year to employers, and half a billion to employees.

2. EFFECT OF ACCIDENTS ON WAGES[1]

It has often been argued that, in the absence of accident insurance cost levied on employers, wages are enough higher to correspond. It is argued that wages in dangerous trades are adjusted to the degree of risk. The workman was assumed to be entirely rational, as the "economic man" of the classical economists, possessed of competent knowledge, and with ability and power of bargaining sufficient to insist on such an adjustment. Is there any basis in fact for this presumption?

The cause of persisting differences in wages in any particular labor market lies in the action and inaction, preferences and dislikes, and differences in the ability of labor. If a higher wage is paid in a dangerous industry for labor of a given degree of skill than in a relatively safe occupation, it is paid not because the employer is able to pay more but essentially because the employee demands more.

[1] Adapted with permission from Robert M. Woodbury, *Social Insurance, An Economic Analysis*, pp. 56–70. (Henry Holt & Co., 1917.)

An adjustment of wages to the degree of risk might be caused: (1) by the inclusion in the standard of living of all workmen of an item of accident insurance, or (2) by the avoidance of dangerous occupations by labor, together with the insistence upon higher pay to compensate for the degree of risk by those who remain in them.

If all workmen included in their standard of living provision for accident insurance, there would result an adjustment of wages according to the risk. The cost of insurance would vary with the degree of danger. Workmen would have an accurate measure of the degree of danger in that cost. Having thus a definite knowledge of the cost, an adjustment could be affected through an insistence on a higher rate of remuneration for the extra risk.

There is, however, no general accident provision made by all workmen. Accident insurance is not now part of the standard of living of the working class. There can therefore be no general adjustment of wages to risk on this basis.

The second possible theoretical basis of the proposition that extra compensation is paid for extra risk is that labor avoids dangerous occupations or insists on higher pay. In other words, at the same wages for equal degrees of skill labor shuns the dangerous and flocks to the safe industries; only with an increased offer of wages will there be an adequate supply of labor attracted to the dangerous trade.

On this hypothesis the compensatory adjustment of wages will not necessarily be in proportion to the cost of accident insurance. It will take place on the basis of an indefinite "avoidance" of the trade by workmen. The dangers of an occupation will be merged in with the other characteristics which influence labor to prefer or to shun the injury. Whether under this theory wages would increase by the full amount of the cost of accident insurance to cover the risk, by only a part of it, or by many times the cost, would be impossible of prediction and would depend on the psychological effect on the workmen of the knowledge of the presence of danger.

The essential difficulty with the theory of wage adjustment lies in the inadequacy of popular knowledge of the degree of risk. Avoidance of dangerous trades and an estimation of compensation can occur only if the character of the industry or the degree of risk is known. An unknown element cannot be accounted for in the psychology of the workman when he makes his contract. Statistics of deaths and minor injuries have been and are far from perfect, especially in this country. The average workman has no first-hand knowledge of the statistics, but merely a general acquaintance with the conditions

of work. And his familiarity with the conditions of danger is more apt to make him less apprehensive and to breed contempt for the risk than to move him either to avoid the occupation or to demand more wages. If workmen are ignorant of conditions in a dangerous industry, or if they disregard the hazard, there will be no tendency to avoid it.

A high accident or general mortality rate in an occupation will not affect the supply of labor, if men enter it freely. Men learning of danger may leave the trade quickly; but if others ignorant of danger are always waiting to take their places, only the permanence of the labor force, not wages, will be affected.

In case of industrial diseases, familiarity with and dread of the results might cause men to be continually leaving the trade. The effects of lead poisoning are soon learned by new-comers to the lead industries, and the character of the industry seems to affect the permanence of the labor force. The case is quite otherwise where there is popular knowledge of the degree of risk. Sometimes danger is so obvious that physical bravery is required. Rescue work in a mine, in which an explosion had just occurred, would not be undertaken for mere pay without a high extra compensation. Timid souls shrink from such work. Brave men volunteer without thought of pay. In this case danger is evident and must be faced at once. The name of the occupation may be suggestive of danger to the most impervious brain. Powder mills suggest to the least imaginative the possibility of an explosion. An extra wage may have to be offered in such occupations to secure an adequate labor supply. Reckless men who care not if an accident occurs or men who have faith in their own good fortune may scoff at or disregard the chance of accident.

For the rest, danger exercises little or no influence upon choice of occupation or on the demands of labor. A man's occupation is often decided by the opportunities which are open to him. Coal mining and seafaring are among the most dangerous trades. Men who have grown up in a seaport town are apt to minimize the danger of seafaring. In a mining town, mining may be the only occupation open. Not only is there no accurate knowledge of the degree of risk, but there is no common action on the part of labor either in avoiding the industry or demanding higher pay.

3. CONSEQUENCES OF INDUSTRIAL ACCIDENTS[1]

The serious consequences to a wage-earner's family resulting from the removal by fatal accident or the maiming and incapacitating of its breadwinner hardly need to be pointed out. They are suggested by the statistics showing accident mortality rates according to age which have already been quoted, the large number of workers killed by accidents between the ages of 25 and 45 indicating the frequency with which fatal accidents occur in that period in which the ordinary worker has a family dependent upon him for support. Statistics published by the Bureau of Labor Statistics of Illinois emphasize the economic importance of industrial accidents because they show the conjugal condition of injured persons.

The Illinois statistics for the five years ending with 1912 showed that of the 3,084 persons killed in industrial accidents, 62.4 per cent were married and that they had 4,872 children and dependents, and that of the 25,696 injured workers 57.8 per cent were married and that they had 28,626 children and dependents. This, as has been remarked, "is unquestionably a considerable understatement of the facts."

4. CAUSES OF ACCIDENTS

a) FATIGUE[2]

Speed of operation is admitted as an important cause of accidents, the exposure to risk increasing as the number of operations per hour or per minute rises. Fatigue has been advanced as an additional and important cause, but this theory has been attacked on the ground that in the final hours of the working spell, when fatigue should be at its height, the accident curve is falling. In this study, after making careful allowance for such items as lost time, change in work, and the like, which might interfere with the normal incidence of accidents, an index figure is worked out, showing the hourly accident rate per unit of output. This presents a striking contrast to the customary accident curve, for although in the latter hours of the spell or the day the accident

[1] Taken with permission from Lauck and Sydenstricker, *Conditions of Labor in American Industries*, pp. 197–209. (Funk & Wagnalls Co., 1917.)

[2] Adapted from "Industrial Accidents," *Monthly Labor Review* (May, 1920), p. 161.

rate declines, yet the rate per unit of production shows an increase. The main conclusions reached in this study of accidents are as follows:

a) In the absence of fatigue, accidents vary directly with speed of production, owing to increased exposure to risk.

b) The breaking of this regular variation by fatigue is indicated by: (1) The rise of accidents with the fall of output. (2) The disproportionate rise of accidents with the rise of output, and the lack of proportionate fall of accidents with the fall of output in the final hours of the day.

c) The importance of fatigue in the causation of accidents is emphasized by the fact that the higher accident risk accompanies the deeper decline of working capacity: (1) In the second spell as compared with the first. (2) In muscular work as compared with dexterous and machine work. (3) At the 10-hour plant as compared with the 8-hour plant.

d) The level of the accident rate varies with the inexperience of the workers.

b) INTERDEPENDENCE AND ACCIDENTS[1]

Broad and narrow gauge railroads together do not accomplish as much destruction of human life as the traveling cranes, which are so indispensable to the work of the steel mills.

Watch this invaluable monster at work. See him pick up one set of massive rolls, carry it off, and bring back another to take its place. See him reach an iron hand down into the red depths of a soaking pit, pull out a glowing ingot, carry it away and place it carefully on the roll-table. See him gather up a great armful of finished steel plates and bear them out to be piled or loaded.

"A strong, swift, intelligent servant," says Industry. "What complaint have you to make against him?"

The crane "hook-ons,"—the men on the ground who arrange the chains, and hook and unhook the load—run greater risks than any other men connected with the operation of cranes. The hook-on must stand by, to steady the load and keep the chains in position, until the crane has actually begun to lift and the chains to straighten. There are three dangers therefore for the hook-on: the load may slip out as it is being raised and crush him; it may strike him as it swings; or a chain may break and let it fall. Similar dangers are involved in unloading the crane.

[1] Taken with permission from Crystal Eastman, *Work Accidents and the Law*, Russell Sage Foundation, 1916 ed., pp. 97–98.

When a hook-on is killed by a load slipping from the crane chains, the accident is always laid to his carelessness in fastening the load. But the justice of this judgment is questioned. An engineer told me that it is next to impossible to insure a grip of the load under the thousand and one conditions which obtain, particularly in the handling of irregular shapes. On our list four hook-ons were killed in this way; once it was a heavy roll that slipped, once the side of a steel car, twice a load of steel bars or "angles." Each of the men thus killed was a common laborer and a Slav.

Accidents to those who load cranes are very common, even when the load does not fall. Four men struck by the load just as it was being lifted by the crane were instantly killed. Another was killed while using a crane to load ingot molds on a car. He was standing on the car to unhook the chains from the last mold as the crane lowered it into place; a jerk of the chains at the wrong moment toppled the mold over upon him. Two men were killed while loading a car with steel billets by means of a crane. In each case the car was suddenly moved, without warning to the laborer in it, and he was knocked down and killed by a load swinging from the crane just above the floor of the car. Both accidents happened at night. In one case it was stated that the yard was dark. Both the men killed were foreigners, one of four months' experience in a steel mill, the other on his first night's work. Another hook-on was killed while standing behind a handcar, waiting to unhook the chains from a descending load of scrap. The scrap landed too near the end of the car, the car tipped, shot out from under the load, and ran over him.

The prevention of accidents in this group depends upon the skill and care of the man in the cab; upon the experience, caution, and alertness of those below who hook and unhook the load, and more than all else upon co-operation between crane man and hook-on. The crane man is usually an American boy of eighteen or twenty, the hook-on, a Slav, a common laborer. They must communicate largely by signals and in an atmosphere often thick with smoke or steam. There is one foreman for about seven cranes, so that for the most part these two work without direction. Several times we heard these complaints from fellow workmen of a hook-on who had been killed: "The crane boy didn't wait for a signal." "He jerked the chains up too soon," etc. The crane boys, on their part, complain of the stupidity and slowness of the hook-ons.

Many men not working with the crane are killed by it. Thus, the four men in the table (omitted) killed by a load falling from a crane because the hook or chain broke, were laborers engaged in other work on the floor of the mill. Two of these deaths were made more horrible by the fact that the metal which fell was hot. The four men were Slavs. "Oh, that is significant," says a superintendent, "Americans would know enough to keep out from under those loads." In answer to this it will be well to tell the story of one of these Slavs. He was eighteen, and had been in this country three months. The foreman told him to go to work in a certain place. He refused at first because he was afraid of the great bucket moving over his head. But the foreman insisted, telling him with a rough laugh that it did not matter whether he was killed or not. He went, afraid to lose his job. A few minutes later a hook broke and the bucket, weighing with its load 6,900 pounds, fell and crushed him. The crane operator testified at the inquest that he "never knew of hooks being inspected."

It is worth while to pause long enough over these four dead "Hunkies" to notice a special reason for being careless of the lives of aliens. They had no relatives in this country. Consequently, protected by the "non-resident alien rule," their employers suffered practically nothing from these four fatalities. One man lived seven days, costing the company $7.00, besides his funeral expenses. In the other cases the funeral was the only expense, amounting to about $75 apiece.

These five accidents show that even though chains should never break, it is not safe to stay in the path of a working crane. The question remains, Is it ever necessary? The American Bridge Company, in its posted rules, forbids "the passing of any person under load carried by crane." These five men, however, were engaged in work when the crane load passed over their heads. Some mills may be so arranged that a man never has to work under a moving crane, but in most cases this is not so, as is freely admitted by those who are connected with the work. In the National Tube Company works at McKeesport, I saw three men at work in a freight car so placed that every twenty minutes a tremendous load of pipes passed over their heads. It is hardly possible that the foreman should expect these men to climb out of the car and stand idle every time the crane passed.

All this goes to show the futility of schemes for safety when the spirit of the mill is one of recklessness and speed. It is not seriously

intended by anybody to stop the crane every time a repair is to be made; it would be against the interest of those concerned.

"Suppose a mill is running smoothly," said a superintendent in explaining this matter, "then something happens to the crane which carries ingots to the blooming mill. First thing you know, the rail mill will get through with the rail it is making and be ready for another ingot. When it doesn't come just in time the rail mill will be crying after the bloom mill; the bloom mill will complain to the ingot man; then the ingot man will go after the crane man. That's why the crane doesn't stop for repairs. The way mills are run now, there is no time to stop the crane. You see, there ought to be a man whose income is independent of how much steel is rolled, who has authority to say, 'That crane has got to stand idle until a certain repair is made.'"

c) THE SPIRIT OF THE GAME[1]

The example most commonly used to show a brakeman's recklessness is his custom of standing in the middle of the track to board a yard engine that is coming toward him. Although rules are often posted forbidding this, they are universally disregarded. Most railroaders would agree with the brakeman who said to me:

"You see, getting on in front your foot touches the footboard first, so if you slip there is no chance of saving yourself. Getting on at the side you take hold of the grab iron first, so if your foot slips there is some chance of hanging on. Yet I always get on in front myself. We all do. It's easy and simple. There is a kind of fascination about it. You win or you lose. It's a gamble. And then, it's not professional to get on at the side. No good railroader does it."

d) VIOLATION OF RULES[2]

Often serious accidents occur from a violation of rules. Here are two cases illustrating the point:

Fritz Collins had occasion to go up on a crane to make repairs. Instead of going up the pole, he signaled to the crane man, and rode up on the spreader of the crane. The spreader in going up hit the cage and Collins was knocked off, the spreader falling on top of him. The testimony revealed that rules were posted forbidding the men to ride up on the crane in this

[1] Taken with permission from Crystal Eastman, *Work Accidents and the Law*, Russell Sage Foundation, 1916 ed., pp. 24, 97–98.

[2] Taken with permission from Crystal Eastman, *ibid.*, pp. 97–98.

way, but that it was a customary performance with which the foremen were familiar and which they did not prevent.

John Muschenitch, a dumper at the tipple of the Oakdale mine, was working overtime one night on the stock pile and rode down to the tipple in an empty coal car. These cars are run by electricity, the trolley being only seven and one-half feet above the rails. As he started to get out of the car, Muschenitch happened to touch this trolley with his neck and was electrocuted. The significant thing about this incident is that, although it was against the rules to ride in the empty cars, Muschenitch's boss, the weighmaster, not only let him ride but got in and rode with him.

5. THE COMMON LAW AND ACCIDENTS

[NOTE: At Common Law it is the duty of the employer to use reasonable care (*a*) to select competent fellow servants, (*b*) to provide a safe place to work, and (*c*) to furnish safe tools and appliances; in general, to use reasonable care to conduct his buiness in a safe manner. In an action brought against him for damages by a worker injured while in his employ the following rules exist:

a) The employee cannot collect for injuries sustained while at work if they arise from the negligence or carelessness of a fellow servant (Fellow-Servant Rule).

b) The employee takes upon himself (1) the natural and ordinary risks and perils incident to the doing of his particular task, and (2) any particular risk in question if after he becomes aware of it, he elects to continue at work (Assumption of Risk Doctrine).

c) The employee has no right of action for damages received while at work, even though employer is negligent in not performing his duties, if the employee in any way contributed to the accident by negligence on his own part (Contributory Negligence Doctrine).—ED.]

a) THE FELLOW SERVANT DOCTRINE[1]

The Illinois Steel Company v. *Timothy Coffey*

Mr. Justice Boggs delivered the opinion of the court: The appellee, an employee of the appellant company, charged with the duty of digging the packing out of the tapping hole of one of the furnaces, on the 29th day of December, 1899, while engaged in the discharge of that duty, was seriously burned by a sudden and unexpected outflow

[1] Adapted from 205 *Illinois Reports* 206.

of the liquid metal, accompanied by flame and gases from the tapping hole. It was clear appellee's injury was the result of the careless and improper manner in which the loam, dolomite, and magnesite had been packed in the tapping hole. This work had been performed by one George Swick, also an employee of the appellant company, and the ground of the appellee's right of recovery was, that the appellant company, as master, was legally liable to respond for the negligence of the said Swick.

The work of melting the iron and steel together was continued both night and day in these furnaces and was performed by two forces of men. One of the forces went on duty at six o'clock P.M. and labored until six o'clock A.M., and the other force then returned and relieved them and remained on duty until six o'clock that evening, when they in turn were relieved by the other force of men returning to the work. One man on each force was called "second helper." The appellee was second helper of the force that went on duty at six o'clock in the evening and said George Swick was second helper of the other force.

The appellee and said Swick were servants of the same master. The master was not guilty of any lack of ordinary care in selecting and employing Swick. In doing the work each of them was liable to be placed in great peril by the negligence of the other. Their duties brought them together at regular intervals twice in each twenty-four hours, at which times they each had opportunity to impress upon the other the necessity of care, and to exercise a mutual influence, each upon the other, promotive of proper caution and faithfulness in the performance of the work. The relation between them was that of fellow-servants, and the common master was not liable to respond to either of them in damages for an injury arising because of the negligence of the other.

b) ASSUMPTION OF RISK[1]

Emory A. Hayden v. *The Smithville Manufacturing Company*

Action on the case, brought by the plaintiff, a minor, by his next friend, for an injury caused by the negligence of the defendants, in whose factory the plaintiff was an operative, in leaving certain dangerous machinery uncovered. The case was tried to the jury on the general issue.

On the trial it was admitted that the defendants were the owners and occupiers of the manufacturing establishments described in the

[1] Adapted from 29 *Connecticut Reports* 548.

declaration, with the machinery therein, and that the plaintiff, on the 6th day of April, 1859, was, and for three weeks previous had been, one of the operatives in the mill, under a contract of hire; and that on that day he received an injury to his right hand by being caught in the gearing of a spinning frame in the mill. The plaintiff introduced evidence to prove that his injury was occasioned by the omission, on the part of the defendants, to cause the gearing on the spinning frame to be properly covered by a bonnet, and that reasonable and ordinary care on the part of the defendants required that it should have been so covered; all of which was controverted by the defendants.

Opinion of the court: Upon the facts presented by the motion the court erred in not charging the jury that there could be no recovery on the part of the plaintiff. It was found that the plaintiff was in the service of the defendants, engaged in his ordinary duties, and that the machinery was in the same condition at the time of the accident as when the plaintiff entered service, and that he had knowledge of the condition of the machinery. Upon these facts it is well settled that the defendants cannot be liable to him for the injury. The defendants have a right to use such machinery in their factories as they think proper. Their workmen enter their service voluntarily, and in so doing take the risks of the business as it is. The service is undertaken in view of the peril involved in it, and in entering upon it the servant waives the right to treat the omission of precautions against the danger as negligence.

c) CONTRIBUTORY NEGLIGENCE[1]

Solt v. *Williamsport Radiator Company, Appellant*

On May 23, 1909, the plaintiff, a man then forty-nine years of age, while working at the manufacturing establishment of the defendant company suffered a fracture of the left arm, which necessitated its amputation. He had been employed by the defendant for about two years before the accident. It was part of the plaintiff's duty to keep these rattlers running. They were revolved by means of belts extending to and connected with pulleys on a line-shaft attached to the ceiling some ten or twelve feet overhead. When the plaintiff came to work on the morning of the accident he found that one of these belts was off the line-shaft pulley. The defendant had no belt-shifters or other mechanical contrivances for the purpose of throwing the belts on or off, and it was the habit of the men employed about

[1] Adapted from 231 *Pennsylvania State Reports* 585.

the establishment to replace them by climbing a ladder to the line-shaft and adjusting the belts by the aid of a piece of wood or stick, which was kept for that purpose; and this the plaintiff attempted to do. He testified: "I crawled up on there [the ladder] to put the belt on. I was holding the belt in the one hand and the stick in the other, and I shoved it in as carefully as I could, but the stick catched, and my arm went right under, but after that, I do not know what happened."

Opinion of the court: The testimony in this case justifies but one conclusion, and that is that the plaintiff undertook to do an obviously dangerous act when he attempted to adjust the belt while the shaft was running at full speed. "Where two ways of discharging the service are apparent to an employee, one dangerous and the other safe or reasonably so, the employee must select the latter, whether or not it is the less convenient to him; and if he chooses the former, and the danger is such that a reasonably prudent man would not incur the risk under the some circumstances, he is guilty of such negligence as will bar a recovery, although the master may also have been negligent." *20 Am. and Eng. Ency. of Law* (2d ed.), p. 146. The habitual carelessness of his fellow workmen does not justify the plaintiff, and it will not do to say that he lacked proper instructions or appreciation of the danger, for he was a mature man who had been working around machinery for a considerable length of time before the accident, and in addition to this he acknowledges in his testimony that there was another and safer way of doing this work than the one he pursued. This unfortunate man has suffered a great loss, but, since his own carelessness contributed directly to the happening of the accident, the law does not permit him to recover, and the case should not have been submitted to the jury.

6. EARLY WORKMEN'S COMPENSATION LEGISLATION

Ives v. *South Buffalo Railroad Co.*[1]

[NOTE: This opinion held invalid a New York Statute (workmen's compensation act) which held the employer responsible for injuries received by workers. The statute was compulsory. As a result of this decision many of the various legislatures fell back upon an elective compensation plan and provided penalties of from 50 to 66⅔ per cent of what the worker would be entitled to recover under

[1] 201 N.Y. 271.

the common law with the employers' defenses abridged by legislation.—ED.]

CULLEN, C. J., I concede that the legislature may abolish the rule of fellow servant as a defense to an action by employee against the employer. . . . . I concede that the legislature may also abolish as a defense the rule of assumption of risk and that of contributory negligence unless the accident proceed from the wilful act of the employee. I concede that in a work, occupation, or business of such a nature that the legislature might prohibit its pursuit or exercise altogether, the legislature may prescribe terms under which it may be carried on. Plainly, this litigation does not present such a case. The legislature could not revoke the franchise it had previously given to the defendant to operate a railroad. . . . . I am not prepared to deny that where the effects of the work, even though prosecuted carefully, go beyond a person's own property and injure third persons in no way connected therewith, the person for whose account the work is done may be held liable for injuries occasioned thereby. I also concede the most plenary power in the legislature to prescribe all reasonable rules for the conduct of the work which may conduce to the safety and health of persons employed therein. But I do deny that a person employed in a lawful vocation, the effects of which are confined to his own premises, can be made to indemnify another for injury received in the work unless he has been in some respect at fault. I am not impressed with the argument that "the common law imposed upon the employee entire responsibility for injuries arising out of the necessary risks or dangers of the employment. The statute before us merely shifts such liability upon the employer." It is the physical law of nature, not of government, that imposes upon one meeting with an injury, the suffering occasioned thereby. Human law cannot change that. All it can do is to require pecuniary idemnity to the party injured, and I know of no principle on which one can be compelled to idemnify another for loss unless it is based upon contractual obligation or fault.

7. PROVISIONS OF WORKMEN'S COMPENSATION ACTS[1]

Systems provided for.—Compensation laws may be classified as compulsory, elective (optional), or voluntary, depending upon the degree of constraint to which employers are subjected to accept the compensation provisions. Since these terms will be used repeatedly

[1] Adapted from *Bulletin of the Bureau of Labor*, Nos. 240 and 275

it may be advisable to define them in detail. A compulsory law is one which requires every employer within the scope of the compensation law to accept the act and pay the compensations specified. There is no choice.

An elective act is one in which the employer has the option of either accepting or rejecting the act, but, in case he rejects, the customary common-law defenses are usually abrogated. In other words, the employer is penalized if he does not elect. The employee also has the right to accept or reject the act.

In some states such employments, however, may come under the provisions of the law through the voluntary acceptance of the employer or the joint election of employer and employee in these exempted classes, but the employer loses no rights or defenses if he does not accept.

Scope of the laws.—No two compensation laws are alike. A number of provisions have been adopted quite uniformly by nearly all the states, and those of certain states have been taken as models by others. But taken as a whole the laws are distinguished more for their dissimilarities than for their likenesses.

How election is made.—Under this head are indicated the methods required by the laws for their acceptance or rejection in the 31 states where the elective system is provided. In 23 states the employer is presumed to accept the act in the presence of positive action rejecting it, while under the other 8 elective systems he must institute some action indicating his purpose to come under the law. . . . .

The extent to which employers have accepted the compensation laws has already been discussed. In most states very few employees have rejected the acts.

Abrogation of defenses.—Under the elective system, as provided in 31 states, acceptance of the act is induced by the withdrawal or modification of the three customary common-law defenses of assumed risk, fellow service, and contributory negligence in cases where the employer refuses to accept the act. Employers accepting the compensation act are generally exempt from damage suits, while those rejecting the act are relieved of the duty of paying compensation but are subject to actions at law, with the usual defenses abrogated. In cases where an employee rejects the compensation system and sues an employer who has accepted it the employer usually retains his three defenses.

Special contracts.—In order to secure to the employee the benefits contemplated by the act, without loss by reason of ill-considered and

inadequate settlements, the law usually provides that an employee cannot waive his right to compensation benefits or otherwise contract with his employer for the purpose of modifying the latter's liability under the law.

Burden of cost.—With but one exception the burden of cost for compensation is entirely on the employer. Under substitute insurance or benefit schemes, employees may be required to contribute to the fund; but since the laws do not allow the employer to reduce his liability, the compensation benefits received by injured employees must equal the compensation scale as provided in the act plus the employees' contributions, and consequently there is no real tax upon the employee for the statutory benefits.

Security of payments.—Since it occasionally happens that employers become insolvent or meet with a catastrophe and consequently are unable to meet their pecuniary obligations, it is important that employees be safeguarded from such or similar contingencies by suitable legislation providing for security of compensation payments. In the 40 states having compulsory insurance laws, such security is reasonably assured, provided, of course, that the risk is actually and adequately insured. A number of laws limit insurance to authorized companies. In most states failure to insure penalizes the employer either by subjecting him to a fine or by permitting the employee to sue for damages. Usually, also, the law holds the employer and the insurer individually liable for compensation. Where monopolistic state insurance funds exist, such funds furnish the basis of the employee's protection in this regard. When employers are authorized to carry their own risk, they are usually required to furnish satisfactory proof of solvency and ability to meet present and future compensation payments, or to deposit adequate bonds or other security. Thirty-one states permit self-insurance.

State supervision over insurance and regulation of rates.—The adequacy and reasonableness of insurance premiums are of vital importance to the employers of the compensation states, since the burden of cost depends largely upon the insurance rates. When compensation laws were first enacted there existed no satisfactory experience upon which to base premium rates. The old employers' liability experience was unsatisfactory and the experience of foreign countries was to some extent inapplicable. Called upon suddenly to produce a schedule of rates, with no reliable data as a basis, the insurance carriers were forced to rely upon their "underwriting

judgment," and the rates thus formulated were generally too high. Since then, however, with the accumulation of experience and the entrance of the state into the insurance field as a competitor, rates have been established more nearly in accordance with the hazards of industry.

Injuries covered.—Compensation laws are limited not only as to employments covered and persons compensated, but also as to injuries covered. No state holds the employer liable for every injury received by the employee. As a rule, the injury must have been received in the course of the employment and must have resulted as a natural consequence therefrom; usually, also, those due to the employee's intoxication, willful misconduct, or gross negligence are not compensable.

Accidents.—What constitutes an injury? In most states an injury is limited to what is commonly known as an accident. There must be a sudden and tangible happening, producing an immediate or prompt result, and occurring from without.

Arising out of and in the course of employment.—The next limitation of compensable injuries is the condition under which they occur. No state compensates for all injuries, irrespective of the time and place of their occurrence. In every state a compensable injury must happen in the course of the employment, and in all but four states it must arise out of or result from the employment.

In other words, the injury must result from a hazard of the *employment*, not merely one of the hazards of *existence*. The Commissions and courts generally have been liberal in their interpretations of this phrase. Granted a causal connection between injury and employment and compensation is usually allowed. Awards have even been granted in the case of a watchman who was shot by a burglar and where an employee was killed by an intoxicated fellow-worker.

Exemptions due to employee's fault.—Most of the states do not grant compensation for injuries occasioned in whole or in part through some gross fault of the employee. Four states, however, have not accepted this principle and allow compensation regardless of the employee's negligence. Thirty-five states withhold compensation if the injury was caused by the willful intention of the employee to injure himself or another; 30 deny compensation if injury is due to intoxication; 16 if caused by willful misconduct; and 12 if employee is guilty of violation of safety laws or removal of safety appliances.

Waiting period.—In most states an injury, to be compensable, must cause disability for a certain length of time, generally one week,

and no compensation is paid during that time. This noncompensable preliminary period is known as the "waiting period." It is maintained, especially by organized labor, that a two weeks' waiting period is too long, since the large majority of industrial injuries cause disability of less than two weeks.

The loss of even a week's wages to the average workman would create a hardship or at least cause inconvenience to his family. On the other hand, several objections are advanced against the abolition of the waiting period altogether. There is the supposed danger of increased malingering; another objection is the undue increase in administrative expenses.

The question arises, however, as to the extent to which an employee should be compensated for his losses sustained as a result of the injury. On the one hand it is maintained that the entire cost of rehabilitation and restoration of earning capacity, including full wages, or more if necessary, and adequate medical treatment, should be borne by the industry; and if the employee is totally and permanently incapacitated he should receive an adequate life pension. On the other hand it is contended that only major injuries should be compensated for, and then only for a small part of the wage loss. In most of the states the compensation scale has been based, in theory at least, upon the loss of earning power of the injured workman, while a number of states, notably Oregon and Washington, have based their awards upon the worker's need rather than his loss of earning capacity.

Scale.—The compensation scale is usually based upon the earnings of the injured employee, ranging from 50 to 66⅔ per cent of his weekly or monthly wages at the time of injury or for a prescribed period preceding it.

The weekly benefits are, as a rule, also subject to a maximum and a minimum limit. The period during which compensation is paid varies also, the usual provision in case of death being from 5 to 8 years, and in case of disability payment during disability, with a maximum of 300 to 500 weeks, and frequently during life in case of permanent total disability. A further limitation may be prescribed stipulating that the total compensation shall not exceed a certain fixed amount.

Percentage of wages.—In all but three states compensation is based upon wages. A number of states, however, provide for fixed lump sums for certain injuries, but apply the percentage system to all others. In most of the states the prescribed percentage remains

uniform for all injuries, but in several it varies with conjugal condition and number of children. This variation is on the increase.

Weekly maximum and minimum.—The compensation benefits based upon percentage of wages are usually modified by weekly maximum and minimum limits, which may materially affect the amounts, though to what extent depends, of course, on the wage scale. Two states have no maximum or minimum limits; all these are far Western states, where wages are presumably relatively high. Seven states have a maximum of $15 or over, two states have a maximum of $14, nine states have a maximum of $12, twelve of $10, one has a maximum of $8, and one of $7.

Deaths.—The benefits for death in most cases approximate three or four years' earnings of the deceased employee. The methods provided for determining compensation for death vary considerably. Two states provide for fixed absolute amounts without reference to wages or length of time. Six states provide for annual earnings for three or four years. The large majority of states, however, apply a wage percentage for specified periods.

Total disability.—A few states recognize the fact that a permanently disabled workman is a greater economic loss to his family than if he were killed outright at the time of the accident, and allow in case of permanent total disability a larger amount of compensation than in case of a fatal accident.

Partial disability.—The working out of a satisfactory basis of compensation benefits for injuries causing partial disability has been most difficult. To provide for such contingencies two methods have generally been adopted. One method found in practically all of the states is the payment of an award based on the percentage of the wage loss occasioned by such disability, payments continuing during incapacity but subject to maximum limits. The second method is the adoption of a specific schedule of injuries for which benefits are awarded for fixed periods, the payments being based upon a percentage of wages earned at the time of the injury.

8. MERITS OF DIFFERENT INSURANCE SYSTEMS[1]

Cost.—The cost of compensation insurance to employers under different insurance systems may be indicated by their expense ratios. The average expense ratio of stock companies is approximately 38

[1] Adapted from Carl Hookstadt, *Comparison of Workmen's Compensation Insurance and Administration*, April, 1922, p. 21. (Government Printing Office, 1922.)

per cent; of mutual companies, about 20 per cent; of competitive state funds, about 10.6 per cent; and of exclusive state funds, about 4 per cent. Under an exclusive state fund, therefore, the cost to employers would be 30 per cent less than under stock insurance and 16 per cent less than under mutual insurance. The total saving to insured employers of the United States, if all were insured in exclusive state funds, would be over $30,000,000 annually.

Service.—As regards service, comparisons are difficult because of the great variations among different insurance systems. As to promptness of payments there is little to choose among the different types of insurance carriers. Some of the state funds pay promptly

TABLE LXXI

EXPENSES OF COMPENSATION ADMINISTRATION IN UNITED STATES (IN ROUND NUMBERS)*

State	Estimated Number of Employees Subject to Act	Total Expenses of Administration
Exclusive fund states:		
Ohio	1,000,000	$ 280,000
Competitive fund states:		
Michigan	600,000	1,340,000
Private insurance states:		
Illinois	872,000	2,880,000

* Compiled from Bulletin No. 301, U.S. Bureau of Labor Statistics, 1922.

(In other words, the per capita expense of administration in Illinois is over 10 times what it is in Ohio.)

while some do not. The same thing may be said with respect to stock and mutual companies. However, a comparison of one of the best-managed state funds in this respect with one of the best-managed private companies shows that the state fund is more prompt in its payments than the private company. A significant fact developed by the investigation is that self-insured employers, whom one would expect to pay promptly, are no more prompt in this respect than either state funds or private carriers. As regards liberality of payment, most of the state funds are more liberal in this respect than either stock or mutual companies. As regards accident prevention some of the private companies are doing excellent safety work, whereas few of the state funds have done any effective safety work.

Security.—Thus far no injured workman has lost his compensation because of the insolvency of state insurance funds, nor has any large mutual company become insolvent. On the other hand there have

been several disastrous failures of private stock companies during the last three or four years. These failures have resulted in hundreds of thousands of dollars in unpaid claims. As regards self-insurance, the experience of 21 states has been reported to the United States Bureau of Labor Statistics. In 15 of these states no self-insured employer has failed or gone into the hands of a receiver.

9. SHORTCOMINGS IN WORKMEN'S COMPENSATION

a) EFFECT OF WEEKLY MAXIMUM IN REDUCING COMPENSATION BENEFITS[1]

Most of the compensation laws provide that the compensation shall equal a certain percentage of the employee's wage received at the time of the injury. This percentage ranges from 50 to 66⅔.

TABLE LXXII

PERCENTAGE COMPENSATION WAS OF WAGES IN 4,579 TEMPORARY DISABILITY ACCIDENTS IN PENNSYLVANIA IN 1920*

Percentage Compensation Was of Wages	Temporary Disability Accident Cases	
	Number	Percentage
1 and under 5 per cent	85	1.9
5 and under 10 per cent	385	8.4
10 and under 15 per cent	538	11.8
15 and under 20 per cent	663	14.5
20 and under 25 per cent	692	15.1
25 and under 30 per cent	693	15.1
30 and under 35 per cent	452	9.9
35 and under 40 per cent	442	9.6
40 and under 45 per cent	294	6.4
45 and under 50 per cent	197	4.3
50 and under 55 per cent	105	2.3
55 and under 60 per cent	21	.5
60 and under 65 per cent	8	.3
65 and under 70 per cent	1	
70 and under 75 per cent	1	
75 and under 80 per cent	1	
80 and under 85 per cent	1	
Total (22.7 per cent)	4,579	100.0

* Data prepared by the Pennsylvania Rating and Inspection Bureau.

[1] Adapted from Carl Hookstadt, *Comparison of Workmen's Compensation Insurance and Administration*, April, 1922, pp. 66–67. (Government Printing Office.)

However, practically all of the states, in addition to the percentages, have weekly maximums beyond which the amount of compensation cannot go. This not only limits the amount of compensation still further but virtually vitiates and nullifies the percentages. For example, it is misleading to speak of a state paying 66⅔ per cent of wages, as is the case in New Jersey, when the same law also provides a weekly maximum of $12. Therefore, instead of receiving 60, 65, or 66⅔ per cent the injured workman may actually receive only 20, 25, 30, or 35 per cent of his wages.

An extreme illustration is shown in Table LXXII.

It will be noted that the number of cases in which the injured workman received 60 per cent (80 being the statutory percentage in Pennsylvania) or more was only 0.3 of 1 per cent. The number of cases in which the workman receives 50 per cent or more was only 3.1 per cent. Taking the 4,779 cases as a whole, the compensation was 22.7 per cent of the wage loss.

b) ADMINISTRATION AND POLITICS[1]

Politics.—One of the factors which militates against efficiency of administration in industrial commissions is our system of partisan political appointments. The personnel of commissions is constantly changing with the change of political administration. In the state of Washington, for example, there have been 17 commissioners since the creation of the commission in 1911. This continual change in personnel prevents a continuity of policy. Commissioners frequently hesitate to undertake important and constructive policies when their probable tenure of office is only three or four years. Furthermore, this change in personnel affects not merely the commissioners themselves but the entire staff of the commission. Another manifestation of this political system is the interference on the part of large and influential employers with the duties and policies of the commission; for example, the employer in order to prevent the commission from carrying out its policy will appeal to the governor or other political authorities, who, in turn, will diplomatically suggest to the commission to go a little slow in taking drastic action against the employer. As a result the commission, because it is a part of the political administration, will hesitate to antagonize influential employers.

[1] *Ibid.*, p. 5.

c) RATING METHODS AND LACK OF EXPERIENCE[1]

A discussion of workmen's compensation insurance rates would be incomplete without some reference to merit rating although it is but supplementary to the manual rating system.

There are two forms of merit rating in use in workmen's compensation insurance; they are experience rating and schedule rating. These differ fundamentally in their method of approach; one is retrospective, the other prospective; one depends upon the experience of the past to gauge the hazard of the future, the other appraises the hazard by means of an actual physical inspection and analysis.

Schedule rating.—It is the function of schedule rating to discover the physical hazards of individual risks and to value these hazards from a rate making point of view.

In practice the schedule is used in conjunction with a detailed inspection report which indicated the presence or absence of the various elements named in the schedule. Application of debits and credits fixed by the schedule to the particular conditions of the inspection report results in a modification of the manual rate, raising it, if on the whole the conditions are worse than those upon which the manual rate is predicated, and lowering it, if, on the other hand, the conditions are better.

The schedule commercializes safety and thus aligns the economic motive with the humanitarian. But furthermore, a schedule definitely directs the efforts of the safety engineer to those hazard points which are serious and, by placing the proper relative value upon each item, insures prior attention to those conditions which are most dangerous.

Experience rating.—Experience rating attacks the problem of rating individual risks in quite a different way.

The loss history of the risk is used as a basis of arriving at rates because so far in the development of workmen's compensation insurance, this is the only basis which has been found which measures and combines the effect of the intangible hazards of individual risks. Unfortunately experience rating has its own limitations. For one thing it measures the future by the past and in some cases that is not a safe guide. Its most serious limitation, however, arises out of the fact that in the majority of cases the amount of experience is not sufficient to be entirely conclusive.

[1] Adapted from *Report of the Work of the Augmented Standing Committee on Workmen's Compensation Insurance Rates*, 1917, pp. 50–56. (Issued by the National Workmen's Compensation Service Bureau, March, 1918.)

d) ATTENTION TO REHABILITATION[1]

One of the great benefits derived from our recent war experience has been the development by the United States Government of plans for re-educating and rehabilitating soldiers and sailors crippled in service, and the lessons and experience being developed by the Federal Vocational Board are now being applied under workmen's compensation acts to the rehabilitation of men disabled in industry.

In the industrial rehabilitation act, recently passed by Congress, Federal financial aid is now afforded the states if they will participate in relieving crippled workmen. This work properly belongs with industrial accident boards and commissions, as they are more closely in touch with industrial injuries than any other agency of the state to which the expenditure of funds for this purpose may be intrusted.

Without waiting for the industrial rehabilitation act, a number of states, notably California, New York, Massachusetts, Illinois, Pennsylvania, New Jersey, Minnesota, and Oregon, have proceeded independently to provide for re-education of injured workers. In some states a state appropriation is made available for this purpose. In others a state appropriation, to be united with the Federal appropriation under the industrial rehabilitation act, is now being proposed. In others, the imposition upon industry of the burden of rehabilitating injured employees under the provisions of the compensation acts has been adopted upon the theory that the burden of rehabilitation is as much an industrial charge as that of paying the older forms of compensation. In all states the money raised for rehabilitation is put into a special fund to be expended by the proper state authority, under wide discretionary powers, similar to those exercised by the Federal Board for Vocational Education, instead of being awarded to employees by specific statutory direction.

e) LACKS IN WORKMEN'S COMPENSATION[2]

The most evident lack in workmen's compensation legislation in the United States is the entire absence of any compensation legislation

[1] Adapted from Will J. French: "The Trend of Workmen's Compensation—A Glance at Compensation History, Past and Present," *Proceedings of the Seventh Annual Meeting of the International Association of Industrial Accident Boards and Commissions*, June, 1921, p. 115. (Government Printing Office, 1921.)

[2] Adapted with permission from Royal Meeker, *The American Labor Legislation Review*, IX, 35–50. (Published by American Association for Labor Legislation, 1919.) Facts revised to November, 1922, by editor.

in the District of Columbia and in six of the forty-eight states composing the union. The six delinquent states are North Carolina, South Carolina, Florida, Mississippi, Arkansas, and Missouri.

Quite as flagrant as the failures just alluded to is the failure to provide adequate compensation for all railroad employees either by the federal government or by the different states.

Even more important in point of numbers involved are the exclusions, explicit or implicit, of farm hands, casual laborers, domestic servants and workers in so-called non-hazardous industries or in establishments employing less than a specified minimum number of workers. All these workers should, of course, be included under the workmen's compensation laws.

According to estimates made by Carl Hookstadt of the United States Bureau of Labor Statistics, out of the forty jurisdictions now having compensation laws, ten, including Porto Rico and Alaska, exclude more than half of the workers within their borders, while twenty-seven exclude at least one-quarter of their workers. These estimates are based on the assumption that all employers who may elect to come under the compensation laws do so elect. This gives a greatly exaggerated figure in many instances. It is probable that nearly one-half of all employees in the states having compensation laws do not come under those laws at all. It is highly desirable that all compensation laws be made compulsory and that they be extended to include all employees. With a state fund, it will be feasible to provide ample guarantees for the payment of all compensation claims under such all-inclusive laws. Insurance should be sold to small employers such as farmers, cobblers, small shopkeepers, and the like so as to entitle them to compensation benefits in case of their disability.

State insurance funds.—The only way compensation benefits can be extended to all the excluded classes is by means of exclusive public or so-called "state" insurance or by state-aided or monopolistic mutual associations. We have no place in America for monopoly unless it be a public monopoly. In justice to the worker therefore it becomes necessary to advocate public or "state" insurance to the exclusion of all other kinds of insurance. All the enormous advantages in economy and universality are lost or diminished if private competing methods are permitted to enter. A competitive state fund may be very little less expensive than a private profit-seeking stock casualty company.

At the same time we should surely devote a large proportion of our time, energy and intelligence to teaching the great truth that it is better and cheaper to pay competent doctors and surgeons to save lives, limbs and bodily functions than to pay compensation therefor.

The workman who suffers injury must be restored physically, mentally and morally as quickly and completely as possible. When he has been as completely rehabilitated as possible, he should be put back into industry. This may and generally will involve his retraining either for his old job or a new job better adapted to his particular disability. The industrial accident boards and commissions must have a voice in this work of restoration, retraining and re-employment of injured workers.

Waiting period.—The waiting period before compensation is allowed is much too long. One week is a long time for a workingman's family to be cut off from all or the principal part of its means of living. The malingerer is for the most part a figment of an overheated imagination. He doesn't exist in the swarms and hordes that have been described to us. The old federal employees' compensation act paid full wages and had no waiting period if the injured employee were disabled for fourteen days or more. Yet I am convinced that there was very little malingering in order to secure full wages during disability. If we would spend less time speculating on the moral derelictions of the "laboring classes" and trying to protect our pocket books from the more or less mythical malingerer and get down to hard work in behalf of decently adequate compensation laws for the protection of the great mass of workers, we would be able to accomplish much more good.

10. ACCIDENT PREVENTION: EFFORTS OF EMPLOYERS SINCE ENACTMENT OF COMPENSATION LEGISLATION[1]

In 1906 the first exhibit of safety appliances in this country was held under the auspices of the New York Institute for Social Service. In 1912 a small group of engineers met in Milwaukee and launched the National Safety Council, which has taken the lead in the war against accidents. In four years' time it included 15,400 representatives from 3,293 firms, covering 4,500,000 workmen.

There are a number of reasons for this remarkable interest. *Workmen's compensation laws enacted in most of the States have divided the loss by charging a percentage to the employer. These laws have not only transferred the cost of accidents from employe to employer*, but by requiring systematic reporting of accidents *have furnished necessary data as to their extent and seriousness. These in turn have led to safety campaigns.*

[1] Adapted with permission from Frankel and Fleisher, *The Human Factor in Industry*, pp. 136–40. (The Macmillan Co., 1920.)

Possibility of preventing accidents.—Experience has shown that at least 50 per cent of the industrial accidents are preventable. Twenty-two of the foremost industrial concerns of the United States report an average reduction of 54 per cent in yearly accidents after the introduction of organized safety work. The International Harvester Company, the Neenah Paper Company, the Illinois Steel Company, and the Milwaukee Coke and Gas Company each reported a reduction of more than 80 per cent. In eighteen months the Port Huron Engine and Thresher Company, in a plant employing between three and four hundred people, reduced accidents 56 per cent and cut down compensation costs from $2,864 in 1913–1914 to $1,263 in 1914–1915.

Safety devices.—To accomplish these results many ingenious safety devices have been developed to protect workmen. Glass hoods catch fine steel splinters from the emery wheel; goggles cover the metal grinder's eyes; "congress shoes" with steel plated toes protect the molder from a scalding should he spill the hot metal he is carrying; "safety nets" catch the falling workmen, tools, or materials in construction work; automatically locking doors protect elevator shafts in office building and factory, etc.

Importance of personal equation in the reduction of accidents.—Mechanical appliances play an essential but comparatively small part in accident prevention. The experience of the Illinois Steel Company, one of the pioneer companies in safety work, has led them to evaluate the different methods of attacking the accident problem. Only 17½ per cent of the total reduction in accidents is attributed to the introduction of mechanical appliances, and another 8 per cent to improved lighting and cleanliness. *Education* by means of lectures, or bulletins, or instruction while at work, was held accountable for *30* per cent of the reduction and the organization of *Safety Committees* for *20* per cent. This experience is typical.

Necessity of arousing workers' interest in "Safety First."—If only 25 per cent of all industrial accidents can be traced directly to unguarded or dangerous machinery and equipment it is obviously necessary to stimulate the interest of the employes in "Safety First."

Employees' safety committees.—No method is so successful in arousing the workers' interest and watchfulness as the formation of rotating safety committees. During the first three years of the safety work of the Chicago Northwestern Railway Company, the men who had served on committees reported 6,000 points of danger, and 97 per cent of their suggestions were found practical and adopted.

Safety committee meetings.—The weekly meetings are held on company time at company expense for the discussion of the previous week's accident record, and the study of bulletins and safety literature. Every sixty days the company gives the committee a smoker and distributes prizes for the best safety suggestions.

It is relatively simple in the initial stages of a safety campaign to arouse the workers' interest. It is more difficult to retain this interest until the individual has formed the "safety habit." To do this, all conceivable means of popularizing "safety first" are needed.

PROBLEMS

1. "In modern society accidents are likely to prove in the long run more costly than wars." What facts can be given to support this conjecture?
2. "In 1919 there occurred in industry about 23,000 fatal accidents, about 575,000 non-fatal accidents causing four weeks or more of disability and 3,000,000 accidents causing at least one day's disability." Granted, who paid the cost of these accidents?
3. What is the distinction between accident frequency rates and accident severity rates?
4. In what particulars do the accidents of modern industrial society tend to differ from those in medieval society?
5. Why have workmen's compensation laws taken the place of the common law rules of employers' liability? Was there real necessity for workmen's compensation in the eighteenth century?
6. What were the common law defenses of the employer to a suit by an employee for physical injuries sustained while in his employ?
7. "Common law defenses are obstacles to the continuous co-operation of labor and capital." Discuss the truth of this statement.
8. "He who engages in the employment of another for the performance of specified duties and services for compensation, takes upon himself the natural and ordinary risks and perils incident to the performance of such services, and, in legal presumption, the compensation is adjusted accordingly." Is the presumption sound? Is it socially desirable? Why, or why not?
9. "The difficulties with the operation of the common law concepts in regard to accidents can be summarized under three headings: (*a*) the law's delay, (*b*) the difficulty of proving the employer at fault, (*c*) the excessive amount of litigation." Do you agree? Would you add other headings?

10. "The old method assumed that responsibility for accidents was personal; either the employer or the employee was to blame." Comment.
11. What are the causes for accidents?
12. Are accidents a result of the machine industry of today or of the machine plus the gain spirit?
13. "Generally speaking, industrial accidents are due to inadequate social control." Explain and discuss.
14. "Men should not work under the traveling cranes when the crane is carrying heavy loads overhead. The rules forbid it; yet they break the rules." Isn't the worker, therefore, responsible for such accidents?
15. Do you think it fair that the employer should be compelled to pay for accidents which have been caused by the carelessness of the worker?
16. "Workmen's compensation is not as important as a change in managerial methods which will enable a worker to obey the safety regulations without meeting with disfavor of those who are held responsible for the quantity of output." Criticize.
17. Since the prevention of accidents by traveling cranes depends upon skill and care, experience, caution, alertness, and co-operation, according to the Pittsburgh Survey, should we expect those qualities of eighteen-year-old boys, and ignorant foreigners? Is society playing fair in allowing them to hold such positions?
18. "The cost of accidents should be placed upon those who are directly responsible for them." "The cost of accidents should be placed upon those that are in a position to see to it that accidents do not occur." Illustrate these two statements.
19. If a worker is injured under workmen's compensation he receives compensation without going to court even though he is partially to blame. Why doesn't the worker injure himself in order to get benefits?
20. Outline the main features of most workmen's compensation acts.
21. Are all occupations included under workmen's compensation acts? Name some that are generally excluded. Should all be included? Why or why not?
22. Which do you favor and why: (*a*) workmen's compensation and no provision for insurance, (*b*) workmen's compensation and private insurance, (*c*) workmen's compensation with optional insurance in either a state fund or in private companies, (*d*) workmen's compensation and compulsory insurance in a state fund?
23. "Workmen's compensation is unfair to the employer who may be beggared by several large awards to injured workmen." Comment.

24. "What I want is accident prevention, not accident insurance. We need therefore to develop safety methods, not to provide workmen's compensation." Comment.
25. "The 'Safety First' movement is the child of workmen's compensation." How can this be argued? Do you agree?
26. "Both the minimum wage and workmen's compensation are invasions of the right of the individual to contract for his labor as he deems best." Comment.
27. "The employer alone reaps the benefit of the worker's efforts, and therefore he alone should bear the entire cost of the latter's accident insurance." Criticize.
28. "Insurance spreads the cost of industrial accidents over the careful and careless alike provided a man's carelessness does not amount to utter recklessness." Comment.
29. Explain the relation of "merit rating" in compensation insurance to the promotion of safety.
30. What is causing the shift of responsibility for accident and its consequences from the individual and his family to society?
31. "The teaching of English is closely associated with safety." In what way?
32. "Statistics can prevent accidents." How?
33. What are meant by the terms "exclusive" and "competitive" state funds. Which is to be preferred?
34. "The records show that the state funds (1) do business 25 to 30 per cent cheaper than stock companies; (2) are financially sound and have adequate reserves and surplus; (3) pay compensation as promptly as private carriers or self-insurers; (4) are more liberal in settling claims and appeal fewer cases to the commissions or courts; and (5) perform little safety and inspection work in comparison with private companies." Granted, what value do you place on these facts?
35. "Under the competitive plan both the insurance company and the state commission must receive and investigate compensation claims, which results in unnecessary duplication of effort." What does this suggest?
36. "Under the exclusive state fund, the state pays if an accident occurs within the industry covered by the law, and the workman does not suffer because the employer has not paid his premium."
37. "One of the factors which militates against efficiency of administration in industrial commissions is the system of partisan political appointments." How could this be changed? Discuss some of the disadvantages of short terms of office for industrial commissioners.
38. What is meant by "accident" cost and "compensation" cost?
39. "Practically all of the compensation states except those having strictly exclusive state funds permit employers to carry their own risk subject to such safeguards as the law may prescribe." Why?

40. "Four systems of claim procedure are in use in the various compensation states. These are: (1) claim system, (2) voluntary-agreement or direct-settlement system, (3) adjudication of cases on basis of employer's and insurer's reports only, and (4) hearing-system." What are the characteristics of each? Advantages?
41. Some states collect only sufficient premiums to meet the cost of accidents as they occur. Is this a wise procedure?
42. The inadequate auditing of employers' pay-rolls is a serious problem to the state funds, and thousands of dollars of premiums are lost because these pay-rolls are not audited regularly, if at all. Why should this occur? Do the states provide sufficient forces for regular auditing of pay-rolls?
43. There are four distinct methods of computing the average earnings of an employee who has been engaged at work on a full-time basis: "(1) divide the earnings for year preceding the injury by 52; (2) multiply the average daily wage at the time of the injury by 300 and divide by 52; (3) divide the earnings for the 6 months preceding the injury by 26; (4) multiply the average daily wage for the 6 months preceding the injury by $5\frac{1}{2}$, 6, $6\frac{1}{2}$, or 7, according to the number of days in the employee's customary week." Which method is most desirable? Why such different methods in the various states?
44. The Pennsylvania Workmen's Compensation Board has laid down the following rule: "In ascertaining the weekly wage of an employee for compensation purposes, from the total number of working days during the preceding 6 months should be deducted all (1) Sundays, (2) legal holidays, (3) half-holidays, (4) and days employee was absent through no fault of his own, including days when the plant or mine was idle because of a strike, and the number thus obtained should be divided into the total earnings for the six months' period. The average daily wage thus obtained shall then be multiplied by $5\frac{1}{2}$, 6, $6\frac{1}{2}$, or 7." Will this method of computation give the average weekly wage, and will the compensation given be comparable to the amount usually earned by an employee?
45. "The extra or additional items of income, besides the regular wages paid to an employee by his employer, may be grouped into six classes: overtime earnings, board and lodging, etc., tips, gratuities, supplies, and tools, etc., and special expenses incurred by the nature of the employment." How are these items regarded under workmen's compensation laws?
46. Should the racing winnings of an automobile driver be included as a part of his wages?

CHAPTER XV

OCCUPATIONAL DISEASE AND SICKNESS

1. OCCUPATIONAL DISEASES AND WORKMEN'S COMPENSATION ACTS[1]

Of the 46 compensation jurisdictions in the United States only ten provide compensation for occupational diseases. In the remaining 36, occupational diseases are excluded, in theory at least, from the operation of the compensation acts. This exclusion has been brought about (1) by limiting the scope of the law to injuries by "accident," (2) by adverse rulings of the courts and commissions, and (3) by express provisions in the compensation acts themselves.

Of foreign countries, Great Britain and most of the Canadian Provinces provide compensation for occupational diseases, limited, however, to certain diseases and processes stipulated in the schedule. In most of the European countries occupational diseases are taken care of under their sickness and invalidity insurance acts.

The failure to include occupational diseases in the early American acts was due, in part at least, to lack of information as to their prevalence and probable cost. At the time there existed no reliable statistical data showing the number of industrial diseases in the United States.

Since then the experience under the United States, California, and Massachusetts compensation acts, together with investigations made by the National Council on Workmen's Compensation Insurance, have thrown considerable light upon the subject. The several reports and investigations show that the maximum cost of occupational diseases, if included in workmen's compensation acts, would not be greater than 2 per cent of the aggregate cost of industrial accidents. The cost would probably be a great deal less than 2 per cent. The National Council has consequently recommended that no special factor be used in the rates to measure the cost of such diseases. The committee came to this conclusion because the experience of California and Massachusetts showed no radically different results than the experience of other states where the occupational disease hazard is

[1] Adapted from Carl Hookstadt, *Monthly Labor Review*, XII, No. 2 (February, 1921), 154–56. (Government Printing Office, 1921.)

not specifically covered by the statute. "Furthermore," continued the committee, "a large proportion of so-called occupational disease cases have already been carried into the experience. Such cases as lead poisoning and anthrax have, in many jurisdictions, been classified as accidents and compensated under the terms of the workmen's compensation law provided they occurred under certain conditions."

The conclusion of the actuarial committee to disregard the occupational disease factor in the computation of insurance rates is particularly significant in view of the fact that heretofore insurance rates had been loaded 2 per cent in order to take care of the occupational disease hazard.

Occupational diseases may be classified according to cause and nature of injury, as follows:

1. Diseases due to gradual absorption of poisons (lead poisoning).
2. Diseases in which the poison or germ enters the system through a break in the skin (anthrax).
3. Skin affections from acids or other irritants (eczema, dermatitis).
4. Diseases due to fumes or dust entering the system through respiratory organs (tuberculosis, gas poisoning).
5. Diseases due to vibrations or constant use of particular members (neuritis, telegrapher's cramp, housemaid's knee).
6. Miscellaneous diseases (caisson disease, miner's nystagmus).

There are, however, two additional classes of diseases, non-occupational in character, for which compensation is usually granted: (1) Those diseases, such as typhoid fever, erysipelas, pneumonia, and ivy poisoning, which arise out of and are proximately caused by the employment. These diseases, to be compensable, however, must have had their origin in the employment and must be definitely traceable to it. (2) Those diseases which either result from an accident or are aggravated, accelerated, or developed by the accident. In these cases compensation is awarded not for the disease per se but for the results of the accident. Had the accident not occurred the disease would presumably never have developed; consequently the resulting disability is justly attributable to the accident.

However, in many states in which the compensation laws do not cover occupational diseases, the courts and commissions in actual practice have awarded compensation for most of the diseases enumerated above. They undoubtedly feel that an employee who contracts an occupational disease is just as much entitled to compensation as

one who sustains the loss of an arm. Consequently, in their decisions under the law they have no doubt been influenced by their desire to remedy as far as possible the economic injustice of the statutes.

The guiding principle adopted by most of the courts and commissions is stated by the Pennsylvania Workmen's Compensation Board in awarding compensation for dermatitis due to the fortuitous presence of poison in hides handled by the employee, as follows:

> Where injuries received in the course of employment are of untraceable inception and gradual and insidious growth and cannot be traced to having been received at some certain time, and in which there is no sudden or violent change in the condition of the physical structure of the body, they must be regarded as the results of an occupational disease. However, if the disease can be traced to some certain time when there was a sudden or violent change in the condition of the physical structure of the body, as, for instance, where poisonous gases were inhaled which damage the physical structure of the body, it is an accident within the workmen's compensation act of 1915, and is compensable.

Thus it will be seen that the additional cost to a state desiring to include occupational diseases in its compensation law will not be materially increased because many of such diseases are already being compensated, not as diseases but as accidents.

[NOTE: It has been estimated that approximately 5,600,000, or 17 per cent of American wage earners of both sexes, work under conditions more or less injurious to health because of atmospheric impurities caused by dust, fumes, or gases.—ED.]

2. SICKNESS AMONG WAGE-EARNERS[1]

In the United States, as in other countries before comprehensive systems of health insurance were instituted, complete morbidity statistics are lacking. Every investigation which has been made, however, shows a large amount of disability due to sickness among working people.

A community sickness survey by the Metropolitan Life Insurance Company, for instance, resulted in the estimate that in Rochester, N.Y., of each 1,000 males 15 years or over, 23.3 are ill at any one time, and that of each 1,000 women 15 years or over, 25.7 are so ill at any one time that they are unable to work. This means for men an average of 8.5 days of disability a year and for women 9.4 days. In 1901 a

[1] Taken from *American Labor Legislation Review*, VI, 155–238. (Published by the American Association for Labor Legislation, 1916.)

federal investigation of 25,440 workmen's families showed that 11.2 per cent of heads of families were idle during the year solely on account of sickness and that the average period of such unemployment was 7.71 weeks, or an average for all the heads of families, sick and well, of 11.2 per cent×7.71×7, or six days. An additional 3.7 per cent of heads of families idle for combinations of reasons in which sickness was one element would increase the average.

For the country as a whole an estimate based upon German experience indicates that among the 33,500,000 occupied men and women there occur annually 13,400,000 cases of illness, causing 284,750,000 days of disability, or an average of 8.5 days per person. Probably the most extensive actual study in this field was undertaken for the recent (1915) federal Commission on Industrial Relations. The investigation covered nearly 1,000,000 workers in representative establishments and occupations, and as a result it was tentatively stated that each of this country's 30,000,000 workers loses annually an average of about nine days on account of illness alone. "Much attention is now given to accident prevention," declares the commission, "yet accidents cause only one-seventh as much destitution as does sickness."

An excessive infant mortality rate is found among the industrial population.—Recent studies in this country show the truth for America of what has repeatedly been proved abroad, that there is an excessively high infant death rate among the wage-earning section of the population. In Johnstown, Pa., for example, it was found that in the ward where lived the poorest paid part of the community, those doing unskilled work in the mines and steel mills, the infant mortality rate was twice that of the city as a whole, and five times that of the most favorable sections. Throughout the city the mortality rate for all live babies under one year born in wedlock was 130.7 per 1,000. In families where the father earned $1,200 or more a year, or had "ample" income, the death rate was 84 per 1,000; when the father earned less than $521 a year or less than $10 a week, the death rate rose to 255.7 per 1,000. A similar study in Montclair, N.J., showed precisely the same tendency—a heightened infant mortality rate with a decrease in the family income. If it be true that "a high infant mortality implies a high prevalence of the conditions which determine national inferiority," the infant death rate shown among American workers is indicative of conditions which stand sorely in need of correction.

The general death rate among wage-earners is high.—The experience of companies which do both an industrial life insurance business for small weekly payments among the lower paid workers and ordinary business among other classes also shows a high mortality among the working population.

Better provision for medical care among wage-earners is necessary.—Most wage-earners and their families do not have proper medical attention, as judged by modern standards, and very many of them entirely lack the advice of physicians and the most elementary nursing—even in maternity cases. Many of them are unable to pay the fees for private physicians' care; free hospital wards, dispensaries, and nursing service fail to meet the whole problem; and medical equipment is too scarce and too scattered for the universal provision of modern up-to-date treatment.

More effective methods are needed for meeting the wage loss due to illness.—"The poor," declares a mid-western social welfare organization, impressed by ill health as a cause of poverty, "are those whom sickness has halted in their daily tasks." Unless some means more effective than any yet in force in this country is devised for protecting the wage-earner against the consequent stoppage of income, illness must be expected to produce in the future as in the past its yearly harvest of destitution and demoralization.

1. The wage loss due to illness amounts to millions of dollars annually. The investigators for the federal Commission on Industrial Relations calculated that the yearly wage loss to 30,000,000 workers throughout the country at $2 a day is $500,000,000.[1]

2. Savings of wage-earners are insufficient to meet this loss. Low wages, barely sufficient to supply the necessaries of daily life, are inadequate to meet the wage loss due to illness. Without taking into consideration the loss of working time for any cause, it has been found that just before the war in the principal industries of the United States between one-quarter and one-third of the male workers approximately eighteen years of age and over earned less than $10 a week, from two-thirds to three-fourths earned less than $15 a week, and only about one-tenth earned more than $20 a week.

[1] Present calculations would necessarily be based on a higher wage base than $2.00 a day.—EDITOR'S NOTE.

3. POSSIBLE SAVINGS FROM HEALTH SUPERVISION[1]

		No. of Lives
Expected mortality per 1,000 in population examined; conservative figures for average population at work		10
Probable number of substandard or physically impaired lives per 1,000 in population examined		300
Expected mortality *without examination* per 300 substandard lives		6
Probable mortality *with examination* per 300 substandard lives		3
Gain in mortality (lives per annum) in substandard group		3
Add at least one life saved in standard group		1
Economic value of average life		$5,000
(Formula of Dublin and Whitney based on exact computation of basic factors, increment of wealth, etc. Value of 1 year of life $100×50 [average lifetime] $5,000, economic value of average life.)		
Mortality gain to state for each 1,000 examined (4 lives× $5,000)[2]	$	20,000
Assuming 2 people constantly ill for each death occurring in group, the saving of 4 lives means the elimination of 8 cases of chronic illness from the group, or a reduction of 8×365, or 2,920 days of illness. At a medical, nursing and extra diet cost for illness of $3 per day, the saving equals about		9,000
Profit to state and community per 1,000 of population	$	29,000
Applying this factor to a population of 105,000,000 which would exclude the extremely aged and infirm who would not come under the operation of these formulae, we have the following exhibit: 105,000,000×$29 equals about	$3,045,000,000	
What would be the cost of applying a system of periodic examination to the entire population?		
If there were thorough organization of such work the cost would not exceed $5 per individual—a total of	525,000,000	
leaving an economic balance of	$2,520,000,000	

[1] Adapted from *Waste in Industry*, pp. 354–56. (Published by Federated American Engineering Societies, Washington, D.C.)

[2] Adapted from Irving Fisher, *Report on National Vitality, Its Wastes and Conservation*, p. 34. (Government Printing Office, 1909.)

Assuming that one-third of the substandard cases revealed by these examinations or about 10,000,000 required medical, surgical or dental treatment at a cost of $100 per case, the cost of this repair work would aggregate...	$1,000,000,000
leaving a net margin of economic gain of.....	$1,000,000,000
also excess dividends in: Health; Happiness; Satisfaction in Living; Prevention of Pain; Prevention of Sorrow; Prevention of Discontentment; and Industrial Unrest.	

It should be remembered that these formulae are derived from actual experience in carefully studied groups and are not based upon mere estimates by authorities. They agree, however, in many particulars with the expert opinion grouped in the *Report on National Vitality* where a probable economic loss of $1,500,000,000 from preventable disease and death was estimated, based on the consensus of opinion of leading medical authorities.

4. RESPONSIBILITY FOR DISEASE

a) WORKING, LIVING, AND COMMUNITY CONDITIONS[1]

Conditions and behavior causing disease and death.—The amount of sickness and the number of deaths are affected by many conditions and by personal conduct or behavior. These conditions may be grouped under working conditions, living conditions and community conditions.

Work with harmful substances, work under unsanitary or other harmful conditions, and perhaps fatigue give rise to an excessive amount of sickness and increase the number of premature deaths.

Unsanitary conditions (dirt, dust, dampness), bad lighting, bad ventilation, excessive heat and cold in the place of work record their effects upon wage-earners.

Fatigue, due to the accumulation of waste products within the system called fatigue poisons and fatigue toxins, is said by some to be one of the most common causes of occupational disability. It is claimed that it may cause "anemia, enlargement of the heart, increased blood pressure, circulatory diseases, kidney disease and neurasthenia or nervous exhaustion." Fatigue may be caused by many things in industry—standing at work, strained positions, noise, monotony of work due to specialization, unusual concentration of attention, speed

[1] Taken from *Report of the Health Commission of Illinois*, 1919.

induced by piece work or otherwise, long hours per day or the seven day week, alternate night and day work, etc. Of these speed on piece work and long hours are perhaps of most importance.

Recognized and definitely established occupational diseases are traced directly to their cause. The occupational factor in other cases can be established only by records and statistical tabulation. It may be said, however, that mortality statistics show higher death rates among wage-earners than among the proprietary and professional classes. They show excesses of different (fatal) disease in different occupations—e.g., tuberculosis among clerks, bookkeepers and office employees; pneumonia among molders, coal-miners, and teamsters. They show, also, great differences in death rates by occupation. Of those gainfully occupied, about two-fifths of the entire population are directly affected by the working conditions described. All are affected by "living conditions."

It is a matter of common observation and common knowledge that the diet of most persons is not as good as their financial circumstances permit. Though it has not been accurately measured, it is generally presumed that there is a close relation between housing conditions and disease. Bad plumbing, poor ventilation, dirt, insufficient light and overcrowding may undermine health and spread disease. Bad water, bad milk and impure food, dirty streets, poor sewage disposal, and poor control of contagious diseases are important causes of disease. Community neglect and high sickness and high death rates go hand in hand.

There is a close relation between low family incomes and sickness and premature death. It has been said, "the fact is poverty is the greatest problem in public health." This poverty may be due to the disruption of families by the death or desertion of the chief breadwinner, to old age or incapacity, to large families, to unemployment, or to low wages—as it very frequently is. But whatever its cause, in the absence of property to fall back on, it means inadequate food, poor housing, insufficient clothing, and poor medical care. It means continuing at work when rest and recuperation are needed. If due to lack of employment, this adds worry, nervous strain and perhaps irregular living.

Finally, the factor of the individual's behavior must be emphasized because the violation of the dictates of common sense in eating, drinking, sleeping, dress, recreation, sexual relations, and much else is of frequent occurrence and gives rise to excessive sickness and death

rates. That this is true is a matter of common knowledge and requires no further comment.

Responsibility for sickness and premature death.—The responsibility for sickness and premature death must in most cases be divided among the individual, the community and industry; the share of each is no small one. Occupational diseases can be charged to industry; typhoid and contagion may be charged to the community; perhaps the individual should be charged with responsibility for venereal disease. Most diseases, however, cannot be traced to a single definite source. The share of the cooperating factors cannot be measured by known methods of investigation. If it could be and low wages were found to be responsible for half the sickness, who could say that low wages are the fault of the employer, the wage-earner, or the community, or, for that matter, are to some extent unavoidable?

b) GENERAL HEALTH AS INFLUENCING INDUSTRIAL FATIGUE[1]

Unfortunately in most discussions of industrial fatigue, a falling work curve or diminished output among employees who have reported ill is accepted as a complete, uncomplicated reflection of fatigue. This sweeping assumption is wholly unjustifiable.

The workers themselves must be studied as to all the factors, apart from work, that have influenced their output. *We have little hesitation in saying that the most important factors relate to the original fundamental condition of physical and mental health of the workers before the work tests were applied.* Cumulative fatigue is stressed by most writers, but the obvious influence of impaired health, in determining as cumulative fatigue what would otherwise be physiological and rhythmic, is ignored; that is, infection may so depress an individual as to prevent him from rallying from ordinary physiological fatigue, and thus carry him over into cumulative fatigue.

Is the worker ill because he is tired, or tired because he is ill?—Inasmuch as physical examinations have shown that more than 50 per cent of any group of industrial workers are in need of medical attention, this enormous factor which has been practically ignored in fatigue studies is entitled to first instead of last place. Comparisons of the productivity of six-, eight-, and ten-hour plants do not give real testimony as to the optimal working day in any industry, unless

[1] Adapted with permission from Eugene Lyman Fisk, M.D. (Medical Director, Life Extension Institute, New York City), "Fatigue in Industry," *American Journal Public Health* (March, 1922).

we know how many in the group are affected by preventable or curable conditions, such as infected teeth, infected tonsils, constipation, faulty diet; and mental poison such as home worries, suppressed or thwarted emotions or aspirations, conditions which may, and probably do have far more influence on working capacity than mechanical environmental influence—even hard work and long hours, unless carried to irrational extreme.

5. CARRIERS FOR INSURING AGAINST WAGE LOSS CAUSED BY SICKNESS[1]

A number of methods for providing insurance against illness—such as establishment funds, commercial health insurance, fraternal insurance, and trade union benefit funds—have been tried in this country, with uniformly unsatisfactory results as far as the mass of wage-earners is concerned.

(1) The term "establishment fund" is commonly used in the United States to denote a benefit fund limited to the employees of a single industrial establishment or organization. As with other voluntary forms of health insurance in this country, the exact development which these funds have reached to-day is not precisely known. But that they are the exception rather than the rule among even important manufacturing plants such as are members of the National Association of Manufacturers is shown by the response to a recent questionnaire sent out by that organization. Out of 564 manufacturers sufficiently interested in sickness insurance to reply, only 144. or 25 per cent, had mutual benefit funds or other provision for sickness. A similar inquiry by a manufacturer in 1913 brought out like results. Out of 500 prominent manufacturing establishments addressed, about 200 did not reply at all and only 110 of the remainder had such funds. They are most common among railroad and mining employees, because of the hazardous nature of both occupations and the isolation of many mining communities, which renders combined action imperative if any medical care is to be secured.

(2) The opportunity for workers to insure themselves against sickness by commercial health insurance on the industrial plan which is now available has yielded no better results. All available evidence goes to show that industrial health insurance is limited in extent and is developed very slowly. In New York in 1914 four insurance

[1] Taken with permission from *American Labor Legislation Review*, Vol. VI. (Published by American Association for Labor Legislation, 1916.)

companies received $29,223,400.11 premiums for industrial life insurance, whereas the total premiums paid commercial companies for all forms of health insurance in the same state and year were only for $1,379,915. The larger part of even this comparatively small sum undoubtedly came from the business and professional, not from the wage-earning classes, since the more common forms of this insurance have relatively high premiums, payable annually or quarterly, which are entirely unsuited to the needs of wage-workers. In 1911 an authoritative estimate of the relative extent of industrial health insurance, which is based on small weekly or monthly premiums, placed it at not more than 20 per cent of the total.

Moreover there are indications that even the limited membership of industrial health insurance enterprises is not held permanently, but that the lapse rate is very high. Among the mutual sick benefit associations just mentioned the number of certificates issued in any one year is almost as large as the number in force at the end of that year. Although similar figures for the other sorts of commercial health insurance are not at hand, there is every reason to believe that the high lapse rate found in industrial life insurance is repeated in industrial health insurance.

[NOTE: This article was written in 1916. It is probable that the number of establishment funds has increased considerably since that time.—ED.]

(3) A large amount of insurance is provided by so-called fraternal societies which combine, with certain social features and a semi-secret ritual, insurance on the mutual plan, generally by means of assessments. However, only a small fraction of this insurance covers sickness or temporary disability. On January 1, 1915, there were in the United States 179 fraternal associations with 7,700,000 "benefit members." During 1914 the benefits of all kinds, including death, sickness, and old age, paid by these societies, totaled about $97,000,000. Only thirty national organizations, having some 820,000 members, not all of whom carried health insurance, paid benefits for sickness in 1914 and this minority disbursed but $1,100,000, about 1 per cent of the whole fraternal insurance business for both sickness and accident claims. Over half of this amount was paid out by three societies. It is true that many individual lodges of some large fraternal orders also pay benefits for sickness, but unfortunately no figures on the amount of these benefits or the members thus protected are available.

(4) The fourth method of voluntary health insurance which has developed in America, namely, trade union benefit funds, is also very limited in extent. Of approximately 30,000,000 wage-earners in the country, not more than one-tenth are members of labor unions of any sort. Moreover, not all members of trade unions are covered by union sick benefit funds. During the year 1914–15 twenty-nine international unions affiliated with the American Federation of Labor paid out $971,271.75 in sick benefits, but the membership of these internationals comprises about 548,000, or not much more than a quarter of the entire membership of the federation. Similar relief was paid by some of the local unions in other trades.

In view of these facts, it is obvious that the great majority of American industrial workers are to-day unprotected by health insurance. Moreover, the lowest paid workers who most need insurance are least likely to be protected.

6. ORGANIZATION OF MEDICAL AID UNDER HEALTH INSURANCE[1]

Corps of full-time medical officers.—In view of the experience in both Europe and America, it would seem best to place the administration of the medical benefits directly under governmental agencies and to insert a provision that *no cash benefits be paid, except on the certificate of medical officers of the national and state health departments acting as medical referees* under the regulations of the central governing board or commission. Such medical officers should be selected according to civil-service methods. Since these officers are the representatives of the health departments in the funds, their selection and appointment should also be based upon their knowledge of preventive as well as of clinical medicine. After a probationary period of service satisfactory to the health administration, they should be given permanent appointments, subject to removal only for inefficiency or immoral conduct. One of their duties should be to examine each disabled beneficiary and keep themselves informed as to the progress of his recovery. It is needless to say that the referees should not be permitted to engage in private practice.

Free choice of registered physicians.—With such a check on the payment of cash benefits, the medical and surgical treatment provided

[1] Adapted from Woodward and Warren, *Public Health Reports*, Reprint No. 352, July, 1916, pp. 6–7.

for beneficiaries could safely be left to the physician of the patient's choice, and payment made on a capitation basis regardless of whether the patient was sick or well, after the manner of the English national insurance act. This method of selection and payment of physicians for the medical and surgical relief would offer every incentive to them to keep their patients well and to endeavor to please by rendering their most efficient service.

Health insurance a measure for prevention of disease.—It would be through the corps of full-time medical officers of the health department acting as referees, that the health insurance system would be linked up with other health agencies. It is not necessary to relate here the advantages which would arise from the visits of such specially trained men into the homes of all sick persons. Nor is it necessary to tell how these officers acting as health officers could further lower the sick rate. The objection could not be raised that such a corps would be too expensive. It would not require more than one such medical officer to every 4,000 insured persons and at that rate they could more than save their salaries by relieving insurance funds from paying unjust claims. Furthermore, while an estimate cannot be made of the amount to be saved by their efforts in the way of lowering the sick rate, it is safe to say that it would amount to many times more than the sum of their salaries.

To enact a health insurance law simply as a relief measure without adequate preventive features would be a serious mistake.

7. ARGUMENTS AGAINST HEALTH INSURANCE

a) DANGEROUS IN PRINCIPLE[1]

a) *The danger of taking some people's money without their consent and giving it to other people.*—In the Standard Bill it is proposed to deprive responsible adults in part of the right to use their own money as they may choose for satisfying their own needs and those of their families, and instead to turn such portion of that money as the state deems applicable to sickness over to a political association to be used or distributed as a majority of that association or of the State Commission may choose. If the percentage of incomes so deemed applicable to that one need may rightly be so disposed of, the same thing may rightly be done also with the percentages of incomes so deemed applicable to providing for the risks of invalidity, old age, premature

[1] Taken with permission from P. T. Sherman, *Criticism of the "Standard Bill"* (1917), pp. 14–16, 20.

death, and unemployment. But if all that be proper, why would it not be just as proper to take the proportion of individual incomes deemed by the Government to be applicable for food, clothing, housing, etc.? And if one-fifth of the cost of insuring some people, not all of whom are in need, may be taken from other people, why not two-fifths or three-fifths? We should not be off our guard in this matter. The movement in America for compulsory insurance obtains much of its support from those *who seek it as a means of transferring wealth*, with complete collectivism as the end.

b) *The danger of weakening individual initiative and family responsibility.*—Clearly, if the state is to see to it that every person in want is to be well provided for, individuals will have no more need to exert or deny themselves for the purpose of making provision for themselves and their families. This is the most vital objection. All schemes of this kind which tend to confuse the self-sufficient working people with the submerged and "down-and-outs" are apt to harm the former class both in their pocketbooks and in their morale.

c) *The economic danger from malingerers.*—It is an objection to voluntary insurance that it is apt to exclude the bad risks in the community, physical as well as moral. On the other hand, there is a very grave danger from general compulsory insurance in that it errs in the opposite direction, and, besides including the bad physical risks, brings in the bad moral risks from whom malingering and impositions are to be expected. Would not a comprehensive system insuring high rates of benefits to the parasitic classes result in a reduction in the aggregate social insurance of the community, through the exhaustion of capital, the discouragement of savings and a ruinous increase of the burden on the better classes of the insured?

d) *The medical danger.*—Compulsory sickness insurance tends to bring the practice of medicine into politics; and the effects on its quality certainly are not good.

b) DOES NOT REDUCE SICKNESS[1]

1. *Compulsory health insurance will not materially reduce the amount of sickness.*—As a matter of fact no analogy can properly be drawn between workmen's compensation for accidents and compulsory health insurance. Workmen's compensation is a charge on industry for injuries incurred in the course of employment; compulsory

[1] Taken with permission from National Industrial Conference Board, *Is Compulsory Health Insurance Desirable?* (October, 1919).

health insurance is designed to care for ills of all kinds, no matter how contracted. In the case of industrial accidents, the connection between the injury and the work can usually be established, and the employer, through safeguarding machinery and other means, can in some measure prevent accidents. In the case of health hazards, on the other hand, it is next to impossible, except in the case of purely occupational or purely personal diseases, to establish responsibility. It is thus obviously out of the question for a system of penalties and rewards to provide a satisfactory constructive force to bring about a reduction of sickness.

This fact is well illustrated by recent experience with compulsory health insurance in Great Britain. The provisions of the British law embodying the prevention theory have never been enforced. It was found impossible to assess at a higher premium rate employers who allowed improper working conditions, or communities where landlords failed to provide proper housing, or where water companies supplied impure water. No great Health First campaign was started in Great Britain as a result of compulsory health insurance.

Again, the Illinois commission which investigated compulsory health insurance and reported against it in 1919, stated: "There is no evidence that compulsory insurance has resulted in an improvement in health. The death rates and morbidity statistics of the countries which do not have compulsory health insurance show a decline fully equal to that of the countries which have such systems. The explanation is probably found in the fact that compensation for wage losses caused by sickness has a very minor effect upon health, that because of the freedom of choice of physician for treatment (which freedom exists even under the compulsory system) the quality of medical service is not improved, that the advance in medical science, public health control, educational movements for better personal hygiene, and the many factors which have entered into the prevention of disease, have operated with equal, if not greater vigor in those countries which do not have compulsory health insurance. It seems clear that compulsory health insurance is not an important factor in the prevention of disease or in the conservation of health."

Compulsory health insurance as proposed in this country fails to provide help where it is most needed, since it will confer no benefits on the unemployed, casual workers or small-scale self-employers whose health is probably the poorest of any social groups.

2. *Existing agencies can be developed to meet the situation, with better results.*—Available evidence affords ample proof that in spite of

an amazing indifference on the part of the public, agencies already in existence have brought about a steady reduction in the general death rate and particularly in the death rate of children, and have cut down enormously tuberculosis, typhoid fever and other communicable diseases. The principal responsibility for failure to go ahead more rapidly rests, not with them, but with a public which does not appreciate the value of what they are attempting to do by providing adequate appropriations.

Compulsory health insurance as thus far proposed would not bring increased appropriations to existing agencies for health betterment, but instead, would create a new and expensive machinery for doing much of the work which that already organized could readily undertake at a smaller cost if given the necessary funds.

8. HEALTH INSURANCE AS A PREVENTIVE MEASURE[1]

The campaign against tuberculosis has given to the American people a new idea of the doctor. We had thought of him as a last resort after we had doctored ourselves and tried out the patent medicines and practiced faith. The anti-tuberculosis movement has begun to show us that the doctor should be first. We *know* that we need him in sickness. We begin to want him also to *prevent* sickness. Likewise, the workingmen's accident-compensation laws have given us a new idea regarding *insurance*. We thought that accidents were inevitable, and that the purpose of accident insurance was the philanthropic purpose of *relief* to injured workmen. But the compensation laws have shown us that accidents are largely preventable. So those persons who formerly practiced the profession of claim agent for the purpose of protecting their employers against lawsuits have become *safety experts*, and they now protect their employers against the tax on accidents by preventing the accident.

I sometimes think it is more difficult to persuade the average doctor to become a health expert and to prevent sickness than it was to convert the claim agent into a safety expert to prevent accidents. As a matter of fact, the claim agent fought the process of conversion about as stiffly as he could, and it was only the overwhelming power of a tax on accidents that converted him. Now he is proud of his new profession, and his employer is proud of him.

[1] Adapted with permission from John R. Commons, *Health Program*. (Address delivered at Fifteenth Annual Meeting, National Tuberculosis Association, June, 1919.)

It is much the same with the proposed business tax on sickness. We read of the probable enormous cost to industry of compulsory health insurance. It looks like bankruptcy. I am willing to accept the figures. They are presumably based on the existing amount of sickness, although the same insurance experts turn around and say there is not much sickness anyhow.

The explanation is rather simple. They fail to distinguish *philanthropy from business*. If this large amount of sickness is unpreventable, then the cost of relief to the sick in a proper humanitarian way will doubtless be very great. But if it is largely preventable, then the proper American way is to offer to our business men a chance to make a big profit by preventing it.

The main purpose is the business purpose of making sickness prevention profitable. There does not seem to be any other way of reaching *all* of our business men as well as workingmen. It is too easy to shift the entire cost of sickness over to the workingman and his family. The thing works automatically. When the workman gets sick he just lays off on his own initiative and pays his own bills if he can, and somebody else takes his place.

But health insurance is a follow-up proposition. The employer cannot shift the entire cost over to the workmen, but must share the cost of doctors and nurses and hospitals and medicines and must continue to pay a part of the worker's wages even when absent from work. It is a sickness tax on industry, coupled with an insurance scheme in order to spread the tax over the industry and over a period of time. But since the industry is not solely responsible for sickness, the workman also is required to contribute to the insurance fund, and a part of the tax is thereby spread out over his wages.

If it were not that several large corporations have already voluntarily adopted this plan of health insurance and set the example, we could not know certainly how it would work. But we do know, from their example, that it prevents sickness. I know such a corporation that has reduced the number of days lost on account of sickness one-half, and the resultant increase in wages and the increase in efficiency of workers has been much greater than the total cost of the insurance.

Here is the big inducement for a public-health program. Not many corporations are big enough, not farseeing enough, to tax themselves voluntarily, as these have done, for the support of hospitals and sanatoria, clinics, doctors, and nurses. The overwhelming majority of business men must depend on the public-health authorities for this assistance. And they will not seriously look for this assistance until they are taxed by law for the sickness that they have not prevented.

9. COMPULSORY HEALTH INSURANCE[1]

Sickness is a problem calling for the application of the insurance principle.—Insurance is cooperative provision against individual losses. Sickness is a risk to which every individual is exposed. Insurance is a means of distributing losses. The losses due to sickness if distributed over the entire wage-earning group and paid in weekly semi-monthly or monthly installments, would not fall heavily upon any one individual or family. Sickness costs frequently cause substantial deficits, lowered standards of living and other unfavorable results. The incidence of sickness in any considerable group is so constant as to make the risk insurable on a sound actuarial basis.

Much of the health insurance carried by wage-earners is inadequate and costly.—Information obtained by the Commission's investigators leads to the following conclusions relative to the disability benefits received from the various sickness insurance carriers:

a) That though 20.9 per cent of 4,474 wage-earners lost wages for a week or more during the year, only 13.4 per cent of these received benefits partially indemnifying them for such loss.

b) That the average loss was $118.76 and that the average benefit received was $52.44 or but 44.1 per cent of the insured wage-earners' loss.

c) That taking the group as a whole, the disability insurance received was only about 6 per cent of the wage loss caused by disabling sickness of a week or more in duration.

d) That not only was there most sickness and a greater average wage loss in the lowest income group but that the average benefit was lowest in the same group, being 15.5 per cent of the wages lost as compared with 43.1 per cent and 47.4 per cent respectively in the two higher income groups. Health insurance provided by casualty companies is very expensive as shown by the fact that less than half of the money paid in as premiums is paid out in cash benefits to the sick.

If the application of the insurance principle to the problem of sickness among wage-earners and their dependents is to be most effective it must

[1] Taken from *Report of the Minority of the Health Insurance Commission of Illinois*, 1919.

be universal.—All experience shows that if such insurance is to be extended to more than a mere fraction of the wage-earners, it must be compulsory.

We believe that the above analysis of the facts disclosed by the investigations made for the Commission is the only logical interpretation of these facts and would have justified the Commission in recommending the immediate adoption of compulsory health insurance of Illinois. In our opinion cash benefits partially indemnifying the loss of wages and the provision of medical care for wage-earners and their dependents would be of great value. We see no reason why the organization of medical practice under compulsory health insurance could not be so effected as to promote the interests of the insured, the medical profession and the community as a whole. When health insurance is made compulsory all experience shows that most of it will be carried by such organizations as those in which a minority are now insured and which will become standardized in order to qualify as carriers. It would perhaps be necessary to establish local mutual organizations for those who could not or would not join existing organizations, but what basis is there for assuming that these would be politically controlled? In view of the fact that the officials of these organizations would be elected by those who contribute to the funds, it seems to us that the assumption contained in the majority report that they would be so controlled is gratuitous.

With reference to the point made in the majority report that compulsory health insurance has not been an important factor in the prevention of sickness, we would not claim that compulsory health insurance is intended as a preventive medical measure. Like many other forms of insurance it is not intended to eradicate the risk against which it offers protection. We would call attention, however, to the fact that the British Medical Society has expressed the opinion that the medical care of English wage-earners has been materially improved under compulsory health insurance.

10. HEALTH INSURANCE IN GREAT BRITAIN[1]

The National Insurance Act became a law on December 16, 1911, and went into operation July 15, 1912. The Act was amended in 1913 and again in 1918; and four special amendments affecting the men in the army and navy were passed between 1914 and 1917.

[1] Taken from Edith Abbott, *Illinois Health Insurance Commission Report*, 1919, pp. 600–622.

Scope of the Act.—Health Insurance is compulsory upon all persons in Great Britain and Ireland from sixteen to seventy years of age who are employed at manual labor and upon all other employed persons whose rate of remuneration is not in excess of £160 ($778.64) per annum. There are a few exceptions, but the Act is wide in its scope. Home-workers are included under it, and even such irregularly employed workers as dock-laborers and golf-caddies. On the other hand, all persons working on their own account, such as small shop-keepers and peddlers, who form a large class, are not brought under the Act except as voluntary contributors.

In England approximately 57 per cent of the adult male population is insured and 22 per cent of the adult female population is insured.

The insurance fund.—The British Insurance Act is a contributory scheme. The fund from which benefits are paid is derived from point contributions of the employers, the insured wage-earners, and the state. The contributions are divided as follows: In the case of the men, the state contributes two-ninths, the employers three-ninths, and the men themselves four-ninths. In the case of the women, the state contributes one-fourth of the sum, and the remainder is divided evenly between the working woman and her employer. The actual contributions per week are as follows: 4*d.* (8 cents) from the employed man and 3*d.* (6 cents) from the employed woman; the employer contributes 3*d.* (6 cents) in either case; and the state 2*d.* (4 cents) in either case.

The British insurance system non-contributory for persons earning low wages.—From the beginning it was planned to make special provision for those receiving very low wages. The difference was to be paid not by the state but by the employer. In the words of Mr. Lloyd George, "If you make the state pay the difference, then it means that the employers who pay high wages to their workmen will be taxed for the purpose of making up the diminished charge for workmen of other employers who are paying less. We have come to the conclusion that the difference ought to be made up by the employer who profits by cheap labour." As a matter of fact, it was finally provided that for those in the very lowest wage class, insurance was to be non-contributory and contributions were to be reduced in other classes.

Machinery for collecting contributions.—The contributions of employers and workmen are collected by means of special insurance

stamps, which can be purchased at the post-office. Every employed person, man or woman, is given a card; and at the end of the week the employer puts on the man's card a *7d.* stamp representing the *4d.* which he deducts from the man's wages and his own contribution of *3d.* The post-master general turns over the sums collected by the sale of insurance stamps to the Central Health Insurance Authority—the insurance commissioners.

At the end of each quarter, members of approved societies send their cards to their societies. Each society prepares a quarterly return for the commission showing the number and value of the contributions on the cards for which the society claims credit. The societies are required promptly to furnish members with new cards, and the stamped cards, surrendered to the societies, are finally forwarded to the commission.

Benefits.—The benefits conferred on insured contributors are as follows: (1) "Medical benefit": medical treatment and attendance including drugs and appliances; (2) "Sanatorium benefit": care and treatment when suffering from tuberculosis or other diseases for which sanatorium care may be needed; (3) "Sickness benefit," the payment of a weekly cash allowance to insured persons when "rendered incapable of work by some specific disease or by bodily or mental disablement." The ordinary benefits payable in case of incapacity for work are *10s.* ($2.43) a week for men and *7s. 6d.* ($1.83) a week for women. Payments begin on the fourth day after such incapacity and may continue for a period of twenty-six weeks; (4) "Disablement benefit": a cash payment of *5s.* ($1.22) a week for men and women alike, which begins after the twenty-six weeks of sickness benefit have expired and may continue up to the age of seventy years, when old-age pensions are payable; (5) "Maternity benefits": a cash payment of *30s.* ($7.50) in case of the confinement of the wife of an insured person or of any woman who is herself an insured person.

Medical and sanatorium benefits become available immediately, but full benefits are withheld until a specified number of payments has been made as follows: Sickness benefit is payable after contributors have been insured for 26 weeks and have paid 26 contributions. Maternity benefit, originally deferred for the same period of time, is, by the amending Act of 1918, payable only to contributors who have been insured for 42 weeks and have paid 42 contributions. Disablement benefit is payable only after 104 weeks of insurance and the payment of 104 weekly contributions.

Medical and sanatorium benefits are administered by the insurance committees. Sickness, maternity, and disablement benefits are administered through so-called "Approved Societies." For such benefits Mr. Lloyd George said he believed the old Friendly Societies of Great Britain had "a great tradition behind them and an accumulation of experience which is very valuable when you come to deal with questions like malingering." However, not only Friendly Societies but trade unions, industrial insurance companies, and employers' provident funds may become "Approved Societies."

Arrears.—The English act is liberal in the matter of arrears, for no contributions are required during periods of reported incapacity for work, and benefits are gradually reduced instead of being totally withdrawn when arrears accumulate.

Administration: insurance commissions and committees.—Four different health insurance commissions were created for the purposes of separate administration in England, Wales, Scotland, and Ireland; but a joint committee exists for the regulation of certain common problems. Local administration is intrusted to local insurance committees, which are organized in each county and county borough, and to the health committees of county and borough councils.

Local insurance committees have the following duties: (1) administration of medical benefit for all insured persons; (2) administration of sanatorium benefit for all insured persons and their dependents; (3) administration of sickness, disablement, and maternity benefits for deposit contributors; (4) furnishing reports to the National Insurance Commissioners; (5) responsibility for dealing with the causes of "excessive sickness" in any locality.

Insurance is carried by approved societies.—Insurance is carried through "Approved Societies," and any society may be "approved" by the insurance commissioners if it satisfies certain conditions, the most important of which are (1) that it must not be a society carried on for profit; and (2) that its affairs must be "subject to the absolute control of its members." All contributions are paid into the treasury, which in turn credits to each society the contributions paid in respect to the members of that society.

Deposit contributors.—Insured persons who are refused admission to any society and insured persons who refuse to join a society become "deposit contributors." Their contributions and their employers' contributions are credited to a special fund to be called the post-office fund; and their insurance is said to be carried by the post-office, although as a matter of fact they can hardly be said to be "insured"

at all, since they receive in sickness, disablement, or maternity benefit only the sums standing to their credit in the post-office fund. They do, however, receive medical benefit and sanatorium benefit.

British doctors and the Health Insurance Act.—During the two years from 1909 to 1911, when a health insurance bill was known to be in preparation, the British Medical Association had been preparing for a vigorous defense of the interests of the medical profession. In certain areas the doctors went on a strike. Yet doctors steadily joined the panels; and by January, 1913, there were nearly 14,000 doctors on the panels, and there were very few districts where panels could not be formed.

The panel system at work.—Every insurance committee is required to prepare and to publish a list of doctors who have agreed to attend and treat insured persons. Every "duly qualified medical practitioner" has a right to be included in the panel; and every insured person is given a free choice of doctors subject to the consent of the doctor selected. According to the statute, medical benefit is defined as "medical treatment and attendance, including the provision of proper and sufficient medicine, and such medical and surgical appliances as may be prescribed by the insurance commissioners."

The statute provides, however, that "medical benefit shall not include any right to medical treatment or attendance in respect of a confinement." The regulations of the insurance commissioners have put still further limitations upon the scope of medical benefit. Operations requiring surgical skill are not required of panel practitioners, and X-ray diagnosis and pathological and bacteriological investigations are also excluded. Dentistry is left over as an additional service to be provided in the future, and the treatment of the eyes and ears is held to be specialist service not required of the panel practitioners.

Over-insurance.—The National Insurance Act carries a provision against double insurance. No person can become an insured person under the Act, ie., with contributions from employer and from the state added to his own, in more than one society; but he may, of course, be a member of several socieities independent of the Act. It appears to be not uncommon for a man to carry insurance through the "state side" of one society and additional insurance through the private of voluntary side of that or another society. In the old Friendly Societies the great majority of the members (in general about 90 per cent or more) continued their full contribution and were

insured both on the "state side" and the "voluntary side." As a result, insurance for a sum in excess of the normal wage of the person insured is now by no means uncommon. An insured person may therefore draw a larger income when he is "on sick benefit" than he earns when at work.

The machinery for establishing sickness benefit claims.—In considering the possibility of defective administrative machinery as an explanation of excessive sickness claims, it should be pointed out that, although the Approved Societies are obliged to pay claims for sickness benefit as prescribed in the Health Insurance Act, different societies may adopt different methods for making or proving such claims. Opportunities for differences in policy are especially likely to arise as regards such points as the definition of the term "inability to work"; the questioning of doctors' certificates of incapacity; the system of visiting the slck in their homes during the period when benefits are being paid; or the discipline imposed on members receiving benefits.

The meaning of the term "incapacity for work" is all-important in the allocation of benefits. Sickness benefit in the statute is defined as "periodical payments whilst rendered incapable of work by some specific disease or by bodily or mental disablement." This has not been interpreted literally as complete incapacity but merely an incapacity rendering members "unable to follow their ordinary employment." The practice of the societies is to accept medical certificates of incapacity given by panel doctors as the proof of a claim for sickness benefit.

The breakdown of democratic control.—In the opinion of some working-class representatives the theory of democratic control upon which the administration of the Act by large numbers of independent Approved Societies was based has broken down. This plan was originally adopted in order to meet the wishes of the working classes, but their opinion seems to be that it has not been wholly successful.

In practice the ideals of democratic government and absolute control by members of their own affairs have frequently been nonexistent. In the large industrial insurance companies which hastily secured the membership of more than a third of all insured persons, the members cannot be said to have any effective control over the organization; and in the old Friendly Societies the old forms of local self-government seem to have been giving place more and more to centralized systems of control. Radical changes in administration

may yet prove to be necessary. Working-class leaders fear on the one hand the disorganizing effects of the Act upon the workingmen's societies and resent on the other hand the undemocratic methods of the commercial insurance companies.

The administration of sanatorium benefit.—Sanatorium benefit is largely a tuberculosis benefit, and on the administrative side, it is a question of co-operation with the local authorities in providing the necessary dispensaries and sanatoria.

Criticisms of the inadequacy of provision for tuberculosis appear to be very general in spite of the progress that has been made. Indeed, in view of the magnitude of the problem, it could not be expected to be otherwise.

The administration of maternity benefit.—This benefit has been perhaps the most popular feature of the Insurance Act and the one that has presented the fewest problems from the administrative standpoint. The Act originally provided for the payment of a lump sum of 30*s*. ($7.30) in case of the confinement of the wife of an insured person or a woman who was herself an insured person whether she was married or not. An insured woman was under the original Act also entitled to sickness benefit or disablement benefit after her confinement. An Amending Act in 1913 made the maternity benefit in every case the "mother's benefit" payable only to the woman herself or to the husband on her order.

PROBLEMS

1. "Occupational diseases should be treated as accidents. They both arise out of the nature of work done by the employee." Do you agree?
2. How do you account for the fact that in practice many occupational diseases are now compensated under the heading of accidents?
3. "Sickness is an even more serious problem than accidents or occupational disease." What might lead one to accept such a conclusion?
4. Trace the possible effects of the sickness of the worker upon (*a*) the worker, (*b*) the employer, (*c*) society.
5. "Why can't men take out health insurance to protect themselves if they need it? Why do we need more laws?" Why, indeed?
6. "Men get sick because they are careless." "Men get sick because they are ignorant." "Men get sick because their work is unhealthy." With which statement do you agree?
7. "Sickness is always a result of a series of happenings and no one can say that a man becomes ill because of a particular job he is doing." Comment.

8. "Laws are sometimes needed to protect us from our own ignorance." How is this illustrated by health insurance?
9. A certain manufacturers association has issued a bulletin entitled "Sickness Insurance or Sickness Prevention?" What do you think of the title?
10. "Sickness Insurance is the next great forward step in the conservation of human vitality." Explain.
11. Should the employer contribute to health insurance? Why? Should the employee contribute? Why? Should the state contribute? Why?
12. What is group insurance? What are its advantages? Is it preferable to state health insurance?
13. What would be the organization of the medical profession under health insurance? What is meant by socialized medicine? Did we have socialized medicine in the army? Do we have it in peace-time? What would be its advantages? Would it have disadvantages? If so, what would they be?
14. If you were a doctor would you favor health insurance? Why?
15. Mr. Gompers recently declared that he was unalterably opposed to health insurance. How do you explain his action?
16. "If workmen's compensation leads to malingering, still more will health insurance." Comment.
17. "Health Insurance would increase the cost of production and would be the last straw on the back of the patient camel of business." "Health Insurance would result in a greatly increased price to the consumer." Can both of these statements be true? Which is correct? Why?
18. "Health Insurance would increase the tyranny of the state." Comment.
19. The following questions have been raised as to the status of the physician under health insurance: (*a*) How are the doctors to do the work chosen? Are all doctors in the community to work, or only a portion? If only a portion, which ones? (*b*) How are they to be paid? By the year, by the patient, or by the job, and how much? Is there a prospect that this amount of pay will measure up somewhat to the present rate at which doctors are paid for similar work, or is it a scheme to cheapen the service of the physician? (*c*) How does the patient choose his doctor? Is he allowed to have any choice in the matter? Is the present family doctor to go out of existence, or is he not? (*d*) How is the question of specialty to be handled? When a man is to be operated on, is he to take the cheap man or the best, and if the latter, who pays the surgeon, and how? How are the specialists chosen? (*e*) How about the man who wants an osteopath, a chiropractor, or a Christian Scientist? Is he to have his will, and who pays the bill, and how? Discuss.

CHAPTER XVI

OLD AGE

1. PREVALENCE OF OLD AGE POVERTY[1]

Number and extent.—The number of almshouse inmates 65 years of age and over on September 1, 1909, namely, 2,474, represents approximately 25 per cent of the total almshouse population in this state. The corresponding proportion for the United States as a whole

TABLE LXXIII

AGED POPULATION BY CLASSES

	65 and Over	70 and Over
1. In correctional institutions	556	179
2. In insane asylums and hospitals	1,961	1,148
3. In almshouses	3,480	2,204
4. In benevolent homes	2,598	1,960
5. Recipients of public outdoor relief	3,075	2,082
6. Recipients of private outdoor relief	2,312	1,550
7. (*a*) Recipients of State and military aid	10,888	6,164
(*b*) Recipients of soldiers' relief	4,767	2,699
(*c*) United States pensioners	27,230	15,417
8. Non-dependent aged (including all not classed in preceding seven groups)	135,788*	80,460
Total	177,000	105,000

* These numbers are obtained by subtracting the corresponding totals of the first seven classes, exclusive of the recipients of state and military aid and soldiers' relief, from the total number of persons 65 years of age and over and 70 years of age and over, namely: 177,000 and 105,000, respectively.

is 33 per cent, according to the census returns. The percentage of persons 65 years of age and over is considerably larger in the indoor pauper class than in the general population. In Massachusetts less than 6 per cent of the general population is 65 years of age and over. This contrast emphasizes the fact that institutional pauperism is very largely an incident or accompaniment of old age.

Age at admission.—The great majority of the aged inmates entered the institution late in life. Less than 1 per cent of those for whom the age at entrance was stated in the returns became inmates before the age of 40; only 8 per cent entered before the age of 60; thus 92 per cent had passed the sixtieth year before they took up residence in

[1] Adapted from Commonwealth of Massachusetts, *Report on Old Age Pensions*, 1910, January, 1910, pp. 22–42. (Wright & Potter Printing Co., 1910.)

the almshouse. The percentages of admissions after the years of 40 and of 60 are not so high for the almshouse population of the United States, being 69 and 40.5 respectively. The strikingly high proportion of persons entering pauper institutions late in life points to the close connection between old age and institutional pauperism. It is clear that such pauperism is in most cases the result of the infirmity of advancing years, rather than of the misfortunes of earlier years.

Sex and conjugal condition.—In the classification of aged almshouse inmates according to sex, the striking fact is the heavy preponderance of males. The percentages are: Males, 61.4 per cent; females, 38.6 per cent. The corresponding percentages in the pauper population of the United States are 64 per cent and 36 per cent respectively. In the total population of Massachusetts the division by sex is: males, 48.7 per cent; females, 51.3 per cent. It thus appears that the male element of the population contributes a disproportionate share of institutional paupers. This may be due to the fact that aged women are more largely provided for by private charity than are aged men. The percentages of men and of women among the aged inmates of benevolent homes are 30.6 per cent and 69.4 per cent respectively, or approximately the reverse of the almshouse proportion.

In respect to conjugal condition, the high percentage of widowed is significant. The figures are: single, 25.4 per cent; married, 15.4 per cent; widowed, 57.8 per cent; divorced, 1.4 per cent. The figures for the marital condition of paupers given in the United States census report also show a heavy proportion of widowed, as follows: single, 52.1 per cent; married, 16 per cent; widowed, 27.8 per cent; divorced, 1.3 per cent; unknown, 2.8 per cent. For the general population of this state the percentages are: single, 55.54 per cent; married, 37.76 per cent; widowed, 6.36 per cent; divorced, 26 per cent; unknown, .08 per cent. It is evident that widowhood is an important factor in aged pauperism.

Length of residence in Massachusetts.—The number of aged almshouse inmates who have lived in the state less than five years is very small, representing only 1 per cent of the total number 65 years of age and over. On the other hand, 83.6 per cent have been residents of the state for thirty years or more. In the almshouse population of the United States the proportion of inmates with five years' residence or less is 2.3 per cent. The percentage of persons in the total population of this state who have lived here five years or less is 25.17 per cent. It thus appears that recent immigrants do

not furnish any considerable number of recruits for the aged almshouse population.

Family connections.—The returns show that about one-half of the aged inmates of almshouses had adult children or other near relatives living at the time of entrance; but only a very small percentage have adult children or other near relatives able to assist them at the present time, namely, 7.7. This fact throws much light on the possibility of diminishing the almshouse population by establishing a pension system. It is evident that aged inmates having no children or relatives with whom they could live would not, as a rule, be enabled by the grant of small pensions to leave the almshouses.

Country of birth and parentage.—The foreign-born constitute a much higher percentage of the aged pauper population than of the general population. The percentage of foreign-born among the almshouse inmates 65 years of age and over is 66.5; in the entire population of the state it is 30.6; and in the United States it is only 15.3. In the total almshouse population of the state the foreign-born make up 53 per cent. Only 13 per cent of the native-born among the aged almshouse inmates were born in this state; whereas the percentage of Massachusetts-born in the total native-born population of the state is 80. It is thus manifest that the great bulk of aged pauperism in the Commonwealth is imported rather than home-grown

As regards the country of birth of the foreign-born, Ireland leads, with 70.5 per cent; Canada and England and Wales stand second and third, with 11.4 per cent and 9.1 per cent respectively; France, Italy, Russia, Poland, Hungary and Bulgaria have each less than 1 per cent.

Physical condition and earning power.—The number of aged almshouse inmates having physical defects is large, as one would naturally expect. The total percentage of defectives is 93.8. Of the particular defects enumerated, the following show the highest percentages: aged and infirm, 29.2 per cent of the total number having physical defects of some kind; chronic diseases, 25.8 per cent; rheumatic, 18.2 per cent; crippled, maimed or deformed, 14 per cent; feeble-minded, 8.4 per cent.

In respect to the present earning power of aged almshouse inmates, 79.1 per cent of those for whom information was furnished were returned as wholly incapacitated for labor; 8.4 per cent as partially incapacitated; 12.5 per cent as able bodied. In the case of those whose earning power had been lost or impaired, sickness was assigned as a cause by 71.6 per cent; age and infirmity, by 32.2 per cent; accident by 15.4 per cent.

Occupations and wages in early life.—The returns show no great preponderance of any particular class of occupations. Manufacturing and mechanical pursuits rank first, with 33.7 per cent of the persons from whom returns were obtained; housekeeping and domestic service follow, with 22.6 per cent; and common labor stands third, with 14.5 per cent. The other occupations yield only small percentages. In the pauper population of the United States the laboring and servant class furnishes the largest percentage, namely, 47.8; agriculture, transportation and other outdoor pursuits come second, with 23.7; and manufacturing and mechanical pursuits third, with 19.

The usual weekly earnings are given as $5 or less in 20.4 per cent of the number of cases for which information could be obtained. The division according to higher wage groups is as follows: $5 to $10, 36 per cent; $10 to $15, 29 per cent; $15 to $20, 10.1 per cent; over $20, 4.5 per cent. It thus appears that 56.4 per cent of the aged paupers earned $10 or less weekly in early life. The returns for last earnings before admission naturally show some decline of the proportions in the higher wage groups. The percentage with earnings of only $10 or less increase to 71.9 per cent. The division according to wage groups stood: $5 or less, 32.6 per cent; $5 to $10, 39.3 per cent, $10 to $15, 22 per cent; $15 to $20, 4.5 per cent; over $20, 1.6 per cent.

Property holdings and losses in early life.—The number of aged almshouse inmates who had property above debts at some time in life is naturally small, representing only 27.4 per cent of the total. Of those holding property, the amount owned was $500 or less in 30.2 per cent of the cases; $500 to $1,000, 24.8 per cent; and over $1,000, 45 per cent. The number of property holders who sustained losses amounted to 97.4 per cent of the total owning property at some time. The causes of loss are given as: extra expenses for sickness or other emergency, 64.9 per cent; business failure and bad investment, 16.7 per cent; intemperance and extravagance, 9.3 per cent; fraud, 6.2 per cent; fire, 2.9 per cent. The high percentage on account of sickness and other emergency is notable.

2. COST OF INDIFFERENCE TO OLD AGE[1]

A brief examination of the facts shows that the price paid by society for its indifference to old age is prodigious. It is a patent fact that public pauperism in old age is the dread and agony of thousands of workingmen and women. But there are more obvious costs.

[1] Adapted with permission from Abraham Epstein, *Facing Old Age*, pp. 46–63 (Alfred A. Knopf, 1922.)

a) The cost to the tax-payer.—The total cost to the tax-payer of the dependent aged in the United States is, of course, impossible to obtain. The records of charitable institutions are incomplete. The Massachusetts 1915 Decennial Census summarized their per capita expenditures as follows:

"Exclusive of United States pensioners, the aggregate number of dependent persons in Massachusetts 65 years of age and over who received aid from all sources (both public and private) during the fiscal year ending March 31, 1915, was approximately 34,500. Of these, over 26,400 were receiving public relief at an aggregate cost of over $2,250,000; and nearly 10,000 were receiving private relief at a cost of over $983,000, making a total cost of about $3,234,000. The per capita expenditure for persons receiving aid from public sources was $85.24; and for persons receiving aid from private sources, $99.70. For males the per capita expenditure (public and private combined) was $98.64 and for females, $90.26."

The extent of contributions, given in a confidential manner, by private persons as well as by churches and fraternal societies throughout the country is, of course, impossible to ascertain.

It is obvious that the millions of dollars spent annually on the care of the aged, whether through public or private agencies, ultimately come out of the pockets of the tax-payers.

b) The cost to the institutional inmates or recipients of charity.—Of greater social importance than the mere expenditures of the enormous sums of money cited in the preceding pages is the degree of effectiveness and the adequacy of these methods of aged relief in meeting the purpose desired. The present methods of almshouse relief are looked upon as degrading and are of a repugnant nature, invariably resulting in the loss of self respect in the individual recipient and increased pauperism in the group.

In practically all states outdoor relief is given by the different Poor Boards either to persons whose physical condition does not permit their removal to the County Homes, or to women with dependent children, temporarily in need, who are physically able to care for themselves. Outdoor relief may be given also to those who have someone to care for them in their own homes, or it is given to those who while physically able are in temporary need of relief. This form of relief is usually dispensed through the County Poor Directors themselves or through a clerk appointed by them. Cash is given only in rare cases. Generally an order for groceries or merchandise is

given to merchants extending credit to the Poor Directors. Of the constituency of these Boards, the Pennsylvania Commission states:

"It is seldom that the county poor directors, county commissioners or other poor authorities have any definite knowledge or understanding of the problems of poor relief. These bodies are generally elected or appointed because of their political leadership."

c) The cost to industry.—Much has been heard lately of the importance of increasing production. The reactions of mind upon body, in terms of industrial efficiency, can hardly be over-emphasized. But as long as the worker is left to grope with the problems of old age individually, the wage-earner—especially the middle-aged worker—can hardly be expected to maintain a happy state of mind. The thought of helplessness in the future gradually fills the life of a worker, especially if he is already advanced in age, with a fear and a feeling of fatalism which has a deadening influence upon everything he does.

d) The cost to the younger generations and to society.—The present system of aged relief stands indicted not merely because it is inadequate, incompetently administered, and destructive of industrial efficiency. It must be called to account chiefly because of the detrimental effect it has upon the future.

Because of the necessity of supporting the aged, the children are frequently doomed to under-nourishment; and to a life in the midst of crowded and unsanitary quarters; to leave school early in life and in their turn to join the ranks of the unskilled.

3. OLD AGE, POVERTY AND MODERN INDUSTRY[1]

In modern industry middle age is old age, and the worn-out worker, if he has no children and if he has no savings, becomes an item in the aggregate of the unemployed. It was seen from our discussions that many industrial concerns—especially railroads—will not employ men after they have reached the age of 40. The labor contract in the factory system is made only for a temporary period, and the employer recognizes no obligation to support the workers during their declining years of inactivity. The aged worker is thrown upon his own resources. This condition of impotence is augmented still further by the break-up of the family in modern society which often thrusts the aged worker into a strange country or community without friends or relatives.

[1] Taken from *Report of the Pennsylvania Commission on Old Age Pensions*, 1919, pp. 211–13.

Many of the aged poor must not be looked upon as paupers. They are the "picked survivors of our civilization," and only created paupers by industrial conditions. It sounds contradictory, but the effect of the blessings of civilization and the prolongation of life is only to prolong the period of inactivity, and, because of the growing complications of industry, the working period is also shortened. "There are approximately $1,250,000 former wage-earners who have reached the age of sixty-five years in want and are now supported by charity, public and private. In round numbers, it is costing this country $220,000,000 a year for the support of this great host of worn-out toilers."

Saving for old age is especially difficult as it is so remote and uncertain of attainment. Most people have a working belief in the power of kind fate to bring release in one form or another, before the tools have to be dropped.

4. METHODS OF STATE INSURANCE FOR OLD AGE[1]

Assuming the need for a comprehensive system of care for the aged as proven, we are forced to choose one of three methods. I. A voluntary annuity system. II. A compulsory contributory old age insurance system. III. A system of pensions payable to the aged out of the public treasury.

The first of these methods as a means of meeting the old age problem comprehensively must be discarded. Experience everywhere proves that people do not voluntarily purchase insurance or annuities. After 40 years of experience in England only 150 persons annually purchase annuities under the post-office plan. In Massachusetts and Wisconsin, the number of persons who have taken advantage of the insurance provided at cost under state auspices are insignificant when compared to the number requiring such provision. A plea for the purchase of annuities should, however, be formulated by the state or federal government so that those who wish this method of voluntary provision for old age at cost may obtain it. This Commission has strongly recommended to the federal authorities that the purchasers of war savings stamps be allowed to convert them into annuities.

The second plan, compulsory contributory old age insurance, has some fundamental difficulties which appear insurmountable. These difficulties are briefly summarized below.

[1] Taken from *Health Insurance, Old Age Pensions*, pp. 268–71, by The Ohio Health and Old Age Insurance Commission. (Published at State Bindery, Columbus, 1919.)

The present generation of aged people, because they have not paid premiums throughout their working life, would not be benefited, unless an exception were made and pensions were paid to them from the public treasury. Even those who are past middle life would be only partially benefited and the returns from their insurance payments for a number of years would not be sufficient to meet their needs. A partial pension for them would be necessary, therefore. It would be fully 35 years before the system would be working satisfactorily as an insurance system without supplementing the insurance by a partial or full pension.

It would be necessary to keep an account with all employed persons from the time they began work until death. The shifting of population from state to state, from place to place and from employer to employer makes the problem difficult, if not impossible of solution. The details of such a plan would be exceedingly complicated and the expense very great. The problem differs from that presented by health insurance because old age insurance, like life insurance, is insurance for a hazard in the distant future, whereas health insurance covers primarily the hazards of the immediate present. Under the former the insured derives no immediate benefit from his accumulated payments; under health insurance, with the ever present risk of sickness, the insured benefits from the "protection" even though he may not be ill and may not require the benefit. Partially on this account "surrender values," which the law compels life insurance companies to provide for those whose policies lapse after premiums have been paid for a number of years, have not developed in health insurance. Instead, when a man ceases health insurance payments, his account is closed. As in life insurance so in old age insurance, a man who fails to continue his policy should receive a surrender value. In a state system of obligatory old age insurance this would mean that when a man insured against old age leaves the state or for other reasons ceases to be insurable, he is entitled to at least a portion of the accumulation from his own payments. The constant fluctuation of the transient population would involve a scheme of old age insurance in endless difficulties.

The provision for a worker's life and dependents after they become aged is another problem which cannot be adequately solved under old age insurance limited, as it is customarily, to wage-earners. A large part of the dependent aged are widows. They were never wage-earners and consequently would have no rights under an insurance plan requiring contributions from income. Theoretically the

problem might be solved by increasing the rates to cover a man and his wife but actually the burden would be, under present conditions, too heavy for the wage-earner to bear alone. A subsidy by the state or by the employers would make the scheme partially a pension system. The same problem arises in connection with the employer, the man of small business, the self-employer or the wives and dependents of such persons who may reach old age without a competence as a result of misfortune of one kind or another.

The cost of administration would be high because of the extensive and detailed account keeping with large numbers of people. Moreover, it would raise the question whether the money thus spent could not be more effectively used if it were applied directly to the payment of pensions.

In view of the difficulties accompanying the introduction of a compulsory old age insurance plan and the certainty that a voluntary annuity system would not meet the needs, we are forced to consider the alternative of a pension payable out of the public treasury either from moneys collected by the regular system of taxation or by a special tax designed particularly for the purpose.

The old age pension plan has the virtue of simplicity. It is comparatively easy to administer, involving only the determination of the age of the applicant, and other easily determined facts such as the length of residence, citizenship and recent moral record. The state of Ohio already has had experience with similar problems and has solved them by the pension system. Pensions for the blind have been paid for some years and mothers' pensions have been paid since 1913. Nearly $1,000,000 annually is paid out for these pensions.

Under the insurance plan the direct contribution made from wages has the advantage of making the insured person feel directly and personally responsible for his old age. The same result could undoubtedly be reached by a special tax which would be equitable upon all, such as a graduated income and an inheritance tax, supplemented by a tax upon production or a tax possibly upon those industries which do not hire or retain the older men. However, the use of the regular machinery of taxation for the collection of an equitable tax for pensions to the aged certainly has advantages over a separate system of collection, organized upon an insurance system.

There are safeguards which should be thrown around an old age pension system to prevent the danger of pauperization and of dependence upon the state. The pension should be low enough to prevent

voluntary dependence upon it as the entire support for old age. A plan of voluntary annuities for old age should be incorporated in the pension plan in order to encourage supplementing the pension. Provision for deferred pensions, under which the pensioner would receive a larger pension by deferring acceptance beyond the age at which he is legally eligible, would be advantageous in encouraging special thrift.

The pension plan approved by the majority of the Commission provides for an old age pension of not over $5 a week beginning at age 65. No pension is to be paid to a person who has an annual income of $350 or more; and the amount of the pension to persons having an income less than $350 a year, is to be apportioned in such a way that the total annual income shall not exceed $350. Property possessed by a pensioner shall revert to the state upon the death of the pensioner to be used to reimburse the state for the pensions paid. Any part left over will then be given to the lawful heirs, if any.

The following persons are excluded: I. Aliens and persons who have been citizens for less than 15 years. II. Persons who have not been residents of the state for 15 years. III. Persons convicted of a penitentiary offense within ten years. IV. Persons who have disposed of any property in order to qualify for a pension. V. Tramps and professional paupers.

The whole system should be administered by the state through a state pension commission of four members. Local administration, it is urged, should be combined with other welfare work of the county under a board of county welfare.

[NOTE: In 1923 the legislatures of Nevada and Montana passed old-age pension acts guaranteeing those of seventy years and over an income of one dollar a day. Similar bills are pending in other states.—ED.]

5. SOME OBJECTIONS TO A NON-CONTRIBUTORY SYSTEM[1]

That a system of non-contributory old age pensions would subject our legislatures to the same political pressure constantly to increase the amount of the pension allowed and to enlarge the list of those entitled to a pension as has been applied to Congress in the case of the Civil War pensions is hardly to be doubted. Indeed, such has

[1] Taken from M. B. Hammond, *Minority Report*, pp. 280–81. (Ohio Old Age Pension Commission, 1919.)

been the case in other English speaking countries. New Zealand, which has had the system in operation longer than has the motherland, or any other of the colonies, offers the best example of this pressure. The system was adopted in that country in 1898. The act received important amendments in 1900, 1902, 1905, 1908, 1911, and 1914, always in the direction of making the pension allowance greater or the number of persons eligible to a pension larger. The amount of the pension has been raised and the age at which it may be granted has been reduced from 65 years to 60 years in the case of men and 55 in the case of women. The amount of independent incomes which may be received by pensioners without sacrificing the right to a pension has been raised. The provisions regarding the holding of property, the length of absence from the Dominion, moral qualifications, etc., have been "liberalized" in such a way as to enlarge the pension list.

In 1911 when the amendment to the old age pension act had been passed, the *Evening Post* of Wellington, which has always favored the progressive social legislation of the Dominion, gave the following editorial expression to this tendency to amend the old age pension act: "Whatever other business has to be neglected, Parliament is never too busy to amend the Old Age Pension Act. It is a measure which makes a strong appeal both to the sentimentalist and to the politician, and unfortunately the combination has constantly proved strong enough to overpower the voice of perfect statesmanship. Theoretically, the self-interest of the citizen imposes a stronger check upon extravagance in a democracy than under any other form of government, yet in practice we unfortunately see that the general interest of the taxpayer in the maintenance of economy is often so diffused, languid and feeble a force that the politician who is accustomed to take the line of least resistance finds it a much simpler and safer matter to yield to the pressure of a small but insistent section."

This one-sided pressure would not be present in the case of old age insurance to which those who were ultimately to be eligible to an annuity were compelled to contribute a part of the funds during their working years. Demands for an increase in the amount of the annuities and for enlarging the eligible list would still be made, but they would meet the resistance of those who did not desire to increase their contributions to the fund. The result would be that the legislature would have an opportunity to weigh the arguments for and against the policy of extension. Whatever amendments were made would

follow the dictates of reason rather than those of sentiment and political fear.

PROBLEMS

1. In what ways does the machine tend to reduce the work-life of the worker?
2. Is it not true that machine industry with its greatly diversified tasks makes possible the use of old men? Why then is old age a serious problem?
3. "'The old man' problem is increased through the separation of the worker from land." How?
4. "Institutional pauperism is largely an incident or accompaniment of old age." Do the facts support this statement?
5. If the worker actually feared dependency in old age would he not prepare for it by saving while young?
6. "Thrift is what we need to teach. Then the problem of dependency during old age would take care of itself." Do you agree?
7. If a worker grows old while in the employ of a particular business concern, should not that business be called upon to support him in his old age?
8. "Employers are beginning to realize that a system of pensions for employees pays dividends." Give specific meaning to the statement.
9. Since the public in general consumes the products made by workers why shouldn't the state provide old-age pensions out of general tax funds?
10. "Old-age pensions make a strong appeal to the sentimentalist and the politician and the combination of the two prove strong enough to overcome common sense." Comment.

CHAPTER XVII

UNEMPLOYMENT

1. DEFINITION OF UNEMPLOYMENT[1]

Perhaps the first question to ask is whether it is possible to give any satisfactory definition of unemployment. So many people are called "unemployed" who are really underemployed, and under-employment may become unemployment. Casual labour, for example, may become so casual that the man cannot be said to be employed in any real sense, or personal defects may make regular employment quite impossible. The definition of unemployment given by Mr. Seebohm Rowntree, a definition also adopted by several investigators in America, is as follows: "A person is unemployed who is seeking work for wages, but unable to find any suited to his capacities and under conditions which are reasonably judged by local standards." This may not be a complete definition, but for practical purposes it will suffice. It rules out the unemployables, the inefficient, the work-shy; it rules out workers who are ill or mentally defective; but it includes a Trade Unionist who refuses to accept a lower wage than his Trade Union allows him, even though he can obtain work at that lower wage.

In dealing with the causes of unemployment we must discriminate in the first instance between those who are unemployed for purely personal reasons and those who are suffering from the failure of modern civilisation to solve what is after all an economic question. We must look for causes, because remedies will be futile unless the causes are known and understood. They will be no real remedies but merely temporary palliatives. At the root of the trouble is the failure, for whatever reason, of the modern state to make the necessary adjustment between the demand for and the supply of labour.

2. FLUCTUATIONS IN UNEMPLOYMENT

a) UNEMPLOYMENT IN THE UNITED STATES, 1902–17[2]

The labor shortage.—A study of Chart F and Table LXXIV brings out striking facts. First, the number of unemployed in cities of the

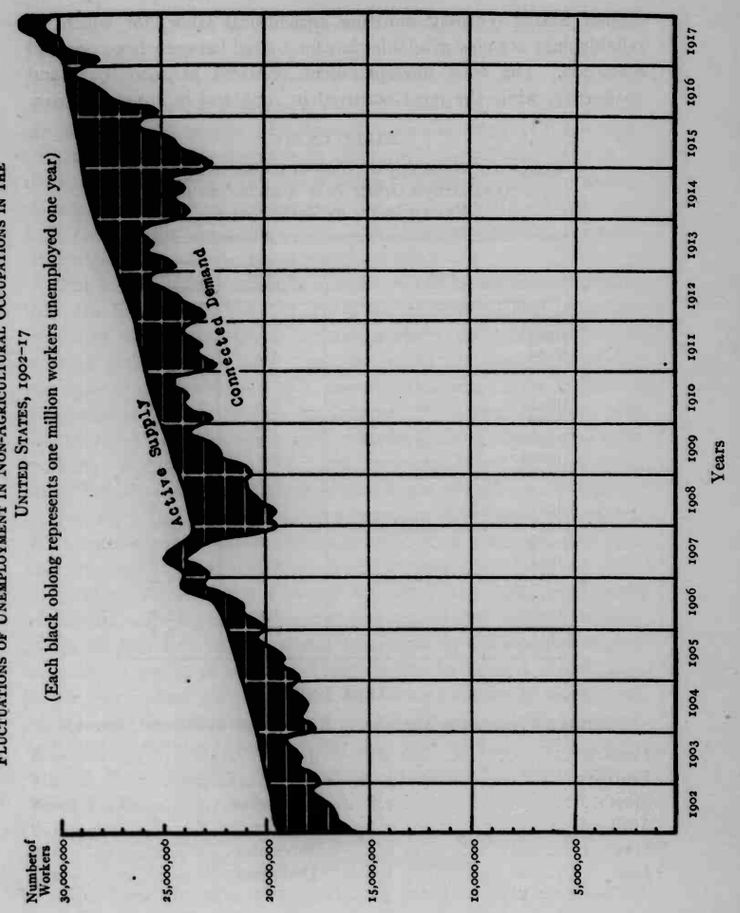
[1] From Percy Alden, *Unemployment*, in composite volume *Labour and Industry*. (Manchester, 1920.)

[2] Hornell Hart, Helen S. Troustine Foundation, Cincinnati, Ohio, pp. 48, 51–53.

CHART F

FLUCTUATIONS OF UNEMPLOYMENT IN NON-AGRICULTURAL OCCUPATIONS IN THE UNITED STATES, 1902–17

(Each black oblong represents one million workers unemployed one year)



United States (entirely omitting agricultural labor, for which no reliable data are now available) has fluctuated between 1,000,000 and 6,000,000. The least unemployment occurred in 1906–1907, and 1916–1917, while the most occurred in 1908 and in 1914 and 1915.

TABLE LXXIV

ESTIMATED NUMBER IN MILLIONS OF UNEMPLOYED WORKERS IN OCCUPATIONS OTHER THAN AGRICULTURE IN THE UNITED STATES BY YEARS 1902–17

Year	Average Number in Millions	Percentage of Total Workers Unemployed
1902	2.7	14.1
1903	1.9	9.3
1904	2.4	11.5
1905	2.0	9.3
1906	1.2	5.5
1907	1.4	6.0
1908	3.5	14.8
1909	2.1	8.6
1910	1.7	6.5
1911	2.8	10.8
1912	2.6	9.6
1913	2.6	9.3
1914	4.5	15.8
1915	4.6	16.0
1916	2.1	7.1
1917	1.4	4.7

TABLE LXXV

ESTIMATED NUMBER IN MILLIONS OF UNEMPLOYED BY MONTHS, 1902–17

January	3.4	July	2.6
February	3.1	August	2.3
March	2.8	September	2.0
April	2.5	October	1.9
May	2.4	November	2.1
June	2.5	December	2.4

The average number unemployed has been two and a half million workers, or nearly 10 per cent of the active supply.

Much has been written lately of the drain on agricultural labor and the increase in the number of women workers caused by the labor shortage. It will be noted that in 1907 and 1917 the demand for labor exceeded the normal supply, and that additional workers were

called in, as indicated by the humps in the supply line in these years. Even at these times, however, unemployment is shown. The reason is this: *Urban industries require a working labor-margin of at least four or five per cent, or a million to a million and a half workers.* These are the men and women who, though normally employed, are temporarily not working because of sickness, seasonal fluctuations in their trades, changing from one position to another, strikes, shortage of material or transportation facilities, and so forth. Hence, we have the paradox of a million and a quarter unemployed at the same time with an unprecedented demand for labor.

The amount of the drain on agriculture can be estimated roughly from the fact that in October, 1917, the non-agricultural industries employed approximately 30,900,000 workers, in addition to the working margin of at least 1,300,000, while the normal supply of non-agricultural labor was only about 30,300,000. This meant an overdraft of approximately 1,900,000. Since immigration was practically cut off, this shortage was made up from women and farm workers. Certainly a million, and probably more, farm workers were thus absorbed, in addition to about 500,000 who were drafted, or enlisted. This was the condition, however, at the peak of demand. Winter decreased the labor overdraft by at least 1,000,000, and 1918 may see very different conditions from last year.

Seasonal fluctuations.—Chart F reveals certain marked rhythms of demand. Each year sees more or less pronounced peaks of demand in spring and fall, with a slight depression in midsummer, and a marked depression in winter. The first line in Table I shows that, *for the past sixteen years* combined, the *average number of unemployed has tended to be greatest in January, averaging three and a third millions,* and least in October, averaging less than two millions. This yearly rhythm is due chiefly, either directly or indirectly, to changes in temperature.

b) FLUCTUATIONS IN UNEMPLOYMENT IN MASSACHUSETTS, NEW YORK, AND WISCONSIN[1]

The three accompanying charts are based on data supplied by state bureaus. The first chart, showing the fluctuations in the unemployment of organized wage earners in Massachusetts, is based on data and a chart furnished by Mr. Roswell F. Phelps, director of the Division of Statistics of the Department of Labor and Industries.

[1] Taken with permission from Ernest R. Bradford, "Methods Used in Measuring Unemployment," *Quarterly Publication of the American Statistical Association*, December, 1921.

CHART G

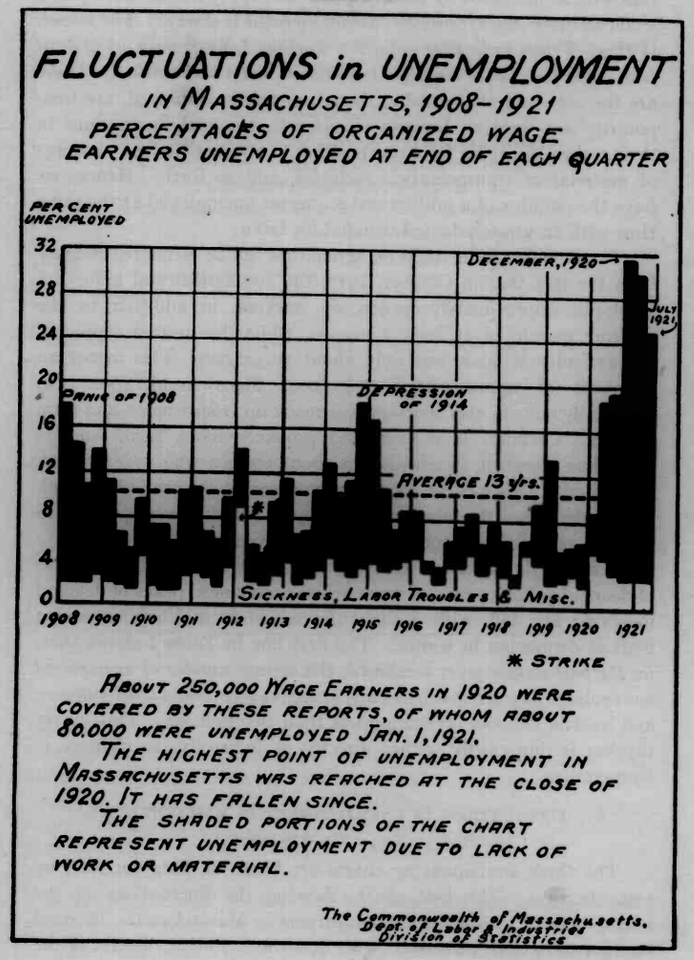
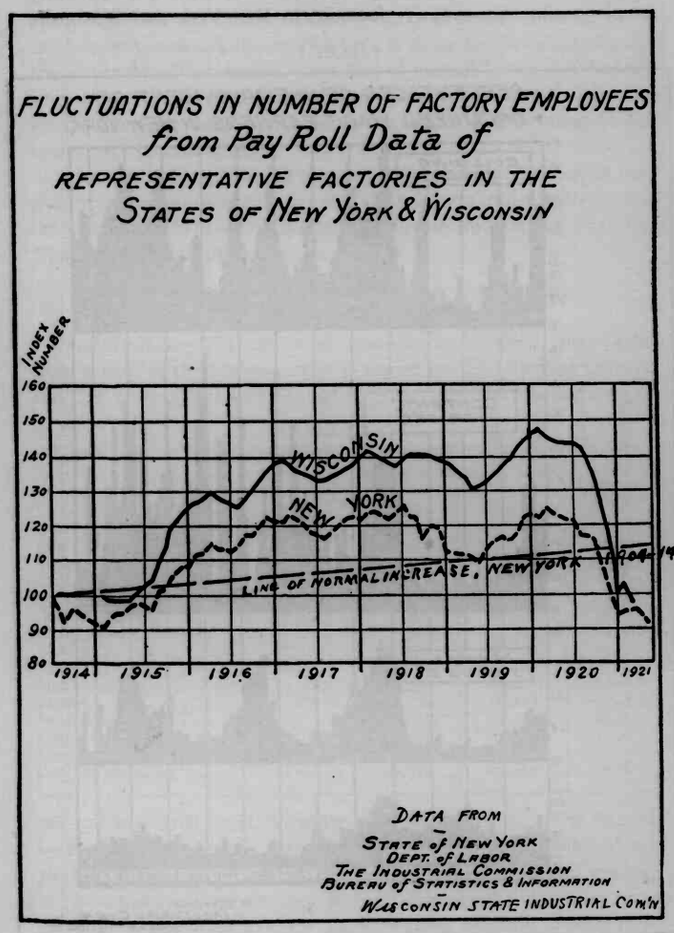
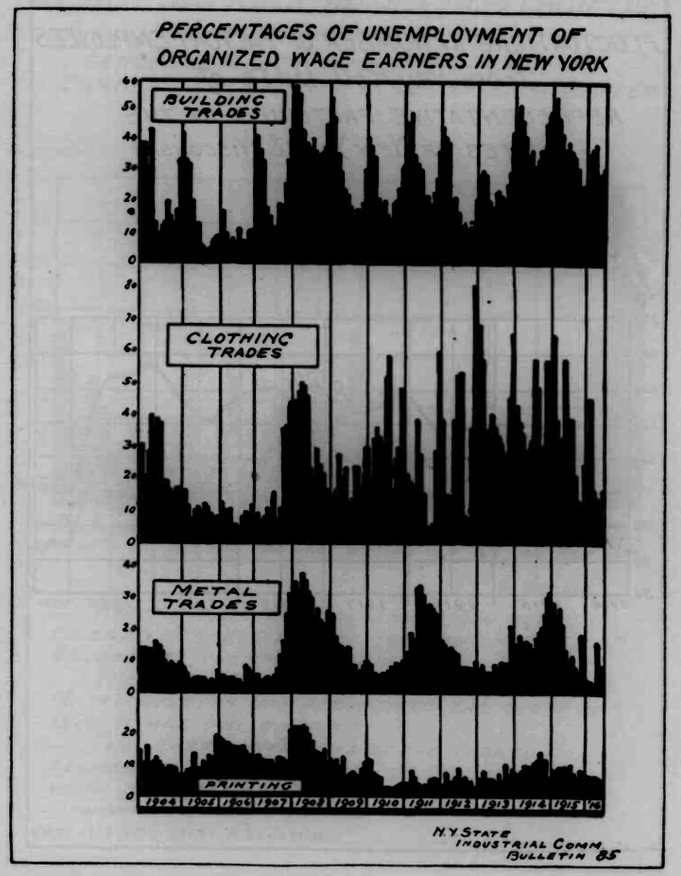


CHART H



The second chart, showing variations in the number of factory employees in representative factories in New York and Wisconsin,

CHART I



is made from data supplied by Dr. E. B. Patton, chief statistician of the New York Department of Labor, and by the Wisconsin State

Industrial Commission. The New York curve starts at 100 in July, 1914; although 100 in the Wisconsin curve is as of February, 1915, the two curves are plotted in this way in order to show more clearly the similarity of movement. The line of normal increase of factory wage earners in New York State from 1904–1914—about 12 per cent for the five year period—is based on the figures of the United States Census of Manufactures.

The third chart, showing seasonal and other fluctuations in employment among organized wage earners in certain trades in New York State, 1904–15, is based on charts published in Bulletin No. 85 of the New York State Industrial Commission.

c) UNEMPLOYMENT ATTENDING THE TIME OF THE BUSINESS CYCLE[1]

Introduction.—The extent of unemployment which may arise from a turn of the business cycle is shown by the following table of the U.S. Bureau of Labor Statistics, giving comparative numbers of

TABLE LXXVI

Industry	Number on Pay-Roll in March		Percentage of Decrease
	1920	1921	
Iron and steel	188,007	133,738	28.9
Automobiles	152,692	70,947	53.5
Car building and repairing	57,245	48,728	14.9
Cotton mfg	60,928	54,494	2.4
Cotton finishing	12,468	11,401	8.6
Hosiery and underwear	32,718	21,574	34.1
Woolen	52,234	38,831	25.7
Silk	15,414	12,735	17.4
Men's clothing	31,576	23,881	24.4
Leather	15,779	10,124	35.8
Boots and shoes	74,685	55,525	25.7
Paper making	32,828	27,786	15.4
Cigar mfg	17,252	14,539	15.7
Coal (bituminous)	28,510	25,899	9.2

pay-roll in March, 1921, in contrast to March, 1920. The returns were supplied by more than 800 establishments employing about 560,000 workers, in 13 manufacturing industries and in coal mining.

Accompanying the decrease in total employment, statistics from the same source point to the even more rapid decrease in total pay-rolls which indicates not only decreasing wages but increasing partial unemployment.

[1] Taken from *Monthly Labor Review*, U.S. Bureau of Labor Statistics, May, 1921, pp. 100.

In the words of the Bureau, "The figures for March, 1921, when compared with those for March, 1920, for identical establishments, show a considerable decrease in the number of persons employed. The largest decreases are 53.5 per cent, 35.8 per cent, and 34.1 per cent in the automobile, leather, and hosiery and underwear industries respectively. The smallest decrease is 2.4 per cent in the cotton manufacturing industry.

The total wages paid in these 14 industries have decreased at a still greater rate. The amount of pay-roll had decreased by 64 per

TABLE LXXVII

Industry	Amount of Pay-Roll in March		Percentage of Decrease
	1920	1921	
Iron and steel	14,655,671	8,173,095	44.2
Automobiles	5,148,279	1,853,904	64.0
Car building and repairing	3,638,501	3,227,251	11.3
Cotton mfg	1,266,694	1,010,912	20.2
Cotton finishing	288,605	252,296	12.6
Hosiery and underwear	651,079	352,883	45.8
Woolen	1,312,600	871,666	33.6
Silk	727,960	548,594	24.6
Men's clothing	1,119,382	792,844	29.2
Leather	408,208	216,729	46.9
Boots and shoes	1,841,707	1,321,274	28.3
Paper making	877,021	685,349	21.9
Cigar mfg	375,573	289,200	23.0
Coal (bituminous)	1,885,868	1,549,286	17.8

cent in the automobile, 46.9 per cent in the leather, 45.8 per cent in the hosiery and underwear, and 44.2 per cent in the iron and steel industries.

For Unemployment Due to Labor Disturbance see chapter xx, Selection 4*c*, page 620.

3. SEASONAL AND INTERMITTENT UNEMPLOYMENT

a) EXTENT OF SEASONAL AND INTERMITTENT UNEMPLOYMENT[1]

IDLE MEN

1. *Minimum unemployment.*—The amount of idleness or unemployment in industry can only be evaluated through rough estimates. There is no national machinery for collecting the facts.

[1] Adapted with permission from John Koren and others, "Unemployment," in volume on *Waste in Industry*. (Federated American Engineering Societies, Washington. D.C. 1921.)

But in the best years, even the phenomenal years of 1917 and 1918, at the climax of war-time industrial activities, when plants were working to capacity and when unemployment reached its lowest point in twenty years, there was a margin of unemployment amounting to more than a million men. This margin is fairly permanent; seemingly one or more wage earners out of every forty are always out of work.

2. *Intermittent unemployment.*—In addition to minimum and climacteric unemployment, many essential industries show a high unemployment or idleness once a year or oftener. Practically all industries are in a sense seasonal. To present a few examples:

ESTIMATED PROPORTION OF POSSIBLE WORKING DAYS LOST ANNUALLY IN CERTAIN INDUSTRIES THE COUNTRY OVER

Industry	Proportion of Time Lost in Average Year
Clothing	31 per cent
Shoes	35 per cent
Building trades	37 per cent
Bituminous coal	27 per cent

PROPORTION OF POSSIBLE WORKING DAYS LOST IN THE "BOOM" YEAR OF 1919 BY WORKERS IN REPRESENTATIVE ESTABLISHMENTS*

Industry	Proportion of Time Lost During 1919
Paper box	10 per cent
Confectionery	13 per cent
Overall	13 per cent
Brick	15 per cent
Chemical	16 per cent
Glass	13 per cent

* Adapted from *Monthly Labor Review*, April and May, 1920, quoted in *Waste in Industry*, p. 265.

Seasonal unemployment.—Seasonal industries may be divided for convenience into two general classes:

1. Those employing a large number of skilled and semi-skilled workers who depend upon the industry for livelihood during the year. Such industries are the building trades, coal mining, the clothing trade, etc.

2. Those employing casual unskilled laborers who travel from place to place as the demand appears, such as farming, lumbering, canning, etc.

SEASONAL INDUSTRIES EMPLOYING SKILLED WORKERS

Brick and tile products.—According to the U.S. Census of Manufacturers, 1914, there were 100,182 workers employed in this industry. It is estimated that not more than 50,000 of them were employed in the mid-winter months.

Coal mining.—There are over 750,000 men employed in coal mining who are idle during a substantial portion of the year. The number of employees and the average number of days worked for the 6-year period, 1913 through 1918, are reported by the U.S. Geological Survey. During this 6-year period anthracite miners worked on an average of 260.5 days out of a possible 308, thus losing an average of 15.5 per cent of working days. Bituminous miners worked on an average of 226 days and thus lost 26.7 per cent of possible working days.

The report of the United States Bituminous Coal Commission says, 1920: "The coal industry is a part-time industry, the number of idle days, out of a possible 308 working days, being 63 in 1918 and 115 in 1919. On the average for the past 30 years, the number of possible working days, when the mines were not in operation, was 93."

Anthracite coal mining.—While the causes of irregularity of employment in anthracite coal mining are not precisely the same as in bituminous coal mining, the degree of irregularity is at least as great. According to the report made to the United States Anthracite Coal Commission by W. Jett Lauck, on behalf of the United Mine Workers of America, the anthracite mine workers have suffered more from irregularity of employment than have the bituminous mine workers. The report says: "During the period since 1881 the anthracite workers have had an opportunity to work on an average only 212 days out of each year. This means 92 days of idleness, 30 per cent of the working year during which they have no opportunity to earn a living wage."

SEASONAL TRADES EMPLOYING UNSKILLED LABOR

Agriculture.—The farming of the country is carried on by local labor supplemented chiefly by the casual unskilled labor. It is with the latter class that the present survey chiefly has to deal. An indication of the demand for farm labor for the first half of the year is afforded by a report made by the U.S. Employment Service, 1918.

Number of farm laborers called for during:

January (in round numbers)	100
February	1,000
March	9,000
April	18,000
May	23,000
June	70,000

These figures reflect the demand for the country as a whole. The seasonal demand varies with the section of the country. In the New England states, for instance, it is greatest in April for the first half of the year considered, while in the winter wheat belt the peak of the demand comes in June.

Canning and preserving.—The canning of food products is necessarily seasonal because it must be accomplished when fruits and vegetables ripen.

The fish canning industry located on the Atlantic and Pacific seaboards is intermittent to a less degree than fruit and vegetable canning. Different kinds of fish are handled at different periods of the year, thus permitting a long season. The season at best extends over ten months of the year. Midwinter is the time of maximum employment, a period of idleness occurring in the spring months. The canning season is considerably shorter than the curing and packing seasons. Much of the extra labor taken on in rush seasons is local, and where possible women are employed.

Fruit and berry canning is largely done in eastern and far western states; vegetable canning in the central portions of the country. California is the most important state in which fruit and berry canning is undertaken. Over 55 per cent of the total product is canned within a maximum of eight weeks. Similar conditions exist in the fruit and berry canning industry in the eastern states.

Lumber industry.—The total number of men employed in the United States in 1910 as lumbermen, raftsmen and woodchoppers was reported to be well over 160 thousand by the U.S. Census. The greater part of the lumber cut is made in the winter months.

Dock labor.—The work of stevedores is necessarily intermittent, depending on the amount of shipping in harbor at any given time. To meet the emergencies of rush seasons a large surplus of labor is essential.

Employment of casual labor in winter.—The fact that the basic industries of the country, including agricultural and railroad construction work, are absolutely dependent upon migratory workers, points to the necessity of solving the winter unemployment problem of casual labor.

Outside of logging, ice cutting and snow shoveling there is small requirement for this type of supplementary labor. These workers tend to concentrate in the large cities, depending on odd jobs, on charity, and sometimes on crime for a livelihood.

b) SEASONAL UNEMPLOYMENT: THE NEW YORK GARMENT INDUSTRIES (1915)[1]

The dress and waist industry is no exception to the rest of the garment industries in being subject to extreme seasonal fluctuations. There are about six months of activity, four in the spring and two in the fall, half of them carried on under extreme, almost feverish, pressure, followed by an equal period of subnormal activity with almost complete stagnation for one month in the year.

The report shows that there is a tendency to retain as many employees engaged during the busy season as possible and to keep all of them partly employed during the slow season. This is especially true of the pieceworkers, as it is to the interests of both the manufacturer and his employees—the manufacturer because it enables him to maintain his organization intact ready to respond to the demands of the market at a moment's notice; the workers, because it enables them to earn what little money they can during the dull season instead of remaining totally idle. In the case of week workers this is less true, the manufacturers preferring to keep busy all the time whatever workers they can retain. But here, too, there is a tendency to accede to the desires of the union and keep as many people on the pay roll as possible by dividing the force into two or more groups which report for duty at the factory by turns on alternate days or weeks, and at the same time are kept fully employed while at the factory.

Taking the wages paid out in the industry during the busiest week of the year and expressing this as 100, the investigation has shown that the average weekly wage earned by all the workers

[1] Adapted with permission from N. I. Stone, *Wages and Regularity of Employment in Dress and Waist Industry of New York*, 1915. (Government Printing Office.)

during 1912 was equal to 73 per cent of that of the busiest week of the year. That is to say, if a worker's wage during the busiest week of the year was equal to $15 a week, his weekly average throughout the year would amount to $10.94.

c) INTERMITTENT EMPLOYMENT[1]

Temporary shutdowns and layoffs.—An element frequently overlooked in the unemployment situation is what opportunity do workers nominally employed have to work a full week and to draw a full week's pay. For instance, a report of the Connecticut Commission on the Condition of Wage-earning Women and Minors in 1913 showed that for 942 females in the cotton industry, the weekly earnings were 13.9 per cent less than full-time earnings; in the silk industry, 1,175 females received 18.2 per cent less than full-time earnings; in brass factories, 662 females received 14.1 per cent less; and in the metal trades, 2,541 females received less than 13.9 per cent full-time earnings. The frequent layoffs for half-days and days in the bituminous coal industry are another case in point.

During 1919 in the paper box industry, 4,311 employees in 77 establishments averaged 90 per cent of full time; in the women's clothing industry, 6,772 women workers employed in 157 establishments averaged 91 per cent; in the confectionery industry, 12,152 workers in 101 establishments averaged 87 per cent; and in the overall industry, 6,546 workers in 129 establishments averaged 87 per cent of full time. In the brick, chemical and glass industries the percentage of full time worked was 85, 84 and 87 respectively. When this record is examined in detail, it appears that some classes of workers are more frequently put on short time than others. White goods finishers averaged 79 per cent of full time, though the average for the women's clothing industry as a whole was 91 per cent. Laborers in the brick industry worked 77 per cent of full time, while the average for the industry as a whole was 85 per cent. Any number of similar examples might be cited.

[1] Adapted from *Waste in Industry*, p. 265. (Published by Federated American Engineering Societies, Washington, D.C., 1921.)

d) COMPARATIVE UNEMPLOYMENT IN THE UNITED STATES, UNITED KINGDOM, AND GERMANY[1]

This table shows the mean percentage of work people in certain trade unions unemployed in each of the years 1904–13:

TABLE LXXVIII

Year	New York State (U.S.A.)	United Kingdom	Germany
1904	12.1	6.0	2.1
1905	8.5	5.0	1.6
1906	6.8	3.6	1.1
1907	13.6	3.7	1.6
1908	28.0	7.8	2.9
1909	14.9	7.7	2.8
1910	13.6	4.7	1.9
1911	18.7	3.0	1.9
1912	15.2	3.2	2.0
1913	20.9	2.1	2.9
Mean	15.2	4.7	2.1

4. EFFECTS OF UNEMPLOYMENT

a) SOME SOCIAL EFFECTS OF UNEMPLOYMENT[2]

1. *Lessened income.*—Unsteady employment affects wages in three ways: "It reduces the amount of the workmen's earnings; it causes irregularity of income; and it decreases his efficiency." Whether unemployment is as important as sickness in causing the breakdown of family independence is a disputed question; nevertheless, it plays a great rôle in family demoralization . . . . in two-thirds of the families who come under the care of the Charity Organization Society in industrially normal times, one or more wage-earners are unemployed at the time of their application for aid." Three-fourths of the applications for help to the New York Charity Organization Society come to them by reason of sickness. In Chicago, according to figures from the United Charities, "unsteady work caused a little over one-half of the applications for help."

Lescohier cites an investigation in Connecticut which showed that the actual earnings of employees in different industries fell from 13 per cent to 18 per cent below full-time earnings. In New York

[1] Adapted from *League of Nations Report on Unemployment, Item 2 of the Agenda*, p. 13. (Washington: International Labor Conference, 1919.)

[2] Adapted from John L. Gillin, *Poverty and Dependency*, pp. 467–70. (Century Co., 1921.)

62.1 per cent of the paper-box workers and 63.4 per cent of the confectionery workers fell more than 10 per cent below full-time earnings.

2. *Destruction of the worker's efficiency.*—As Lescohier has so well said of the worker, unemployment destroys his capacity for continuous consistent endeavor; saps self-respect and the sense of responsibility; impairs technical skill; creates a tendency to blame others for his failures; prevents thrift and hope of family advancement; sends him to work worried and underfed.

3. *Effects on the family.*—It forces the mother out of the home to supplement the earnings of the man; it takes children from school at the earliest possible moment and places them in industry. It forces the family to move into poorer quarters.

4. *Industrial and political unrest.*—The unemployed man feels that in unemployment he has one more cause of complaint against the industrial order.

5. *Social demoralization.*—The moral standards of the unemployed man are impaired by spells of idleness; time lies heavy upon his hands; and in the course of time even the good workman may become desperate.

In the dull time of 1914 it is reported that in Boston men committed petty crimes in order that they might be sent to the workhouse. Then they were sure of their keep while their wives might draw from the city 50 cents a day. In 21 cities burglaries increased 30 per cent over the number in 1912, vagrancy 51 per cent, robberies 61 per cent, and mendicants 105 per cent. The divorce and suicide rates also increased.

b) CUMULATIVE EFFECTS OF UNEMPLOYMENT[1]

Irregularity of unemployment is an aspect of the wages problem, and is therefore at the very basis of the modern labour contract. The standard of living for the working man—the quantity and quality of his food, shelter and clothing—is controlled by his average earnings, i.e., for periods covering terms of employment and unemployment, and not merely by his wage during some short busy period. This standard of living, in turn, affects his efficiency and the possibilities of his advancement. It also decides for large numbers whether the wife shall add to her other duties that of supplementing her husband's wages. Even more significant, in the long run, is the sort of upbringing which it will enable the working man to give to his

[1] Adapted with permission from Joseph L. Cohen, *Insurance against Unemployment*, pp. 35–36, 38–39. (P. S. King & Son, Ltd., 1921.)

children. On it depends whether they are to go through school insufficiently nourished, and to be forced into some unskilled trade at an early age.

Unemployment results in lowering the quality of the workers. The worse fed are the children of the unemployed, the less will they earn when they eventually engage in some occupation themselves, and the less able will they be in turn to provide for the needs of their children, and so on. Again, the less trained they are the less will they realize the importance of giving their children a good training and the less able will they be to provide adequately for so doing. These evils are cumulative. Another group of evils and deep influences which are produced by unemployment result from its effect on trade unions. Periods of unemployment constitute a menace to trade unions; they result in a lowering of membership, a drain on the funds, and a weakening of their morale. Their power to bargain effectively is thus lessened. This disadvantage is cumulative in two ways: It lowers workmen's wages; this lowers their efficiency as workers and consequently the normal value of their labour. And in addition it diminishes their efficiency as bargainers still more, and thus makes it more likely that they will sell their labour for even less than the employer could afford to pay them.

The unemployed workmen and destitution.—A study of the reports during normal times of such societies as the Charity Organization Society and the United Hebrew Charities of New York show that from 25 to 35 per cent of those who apply to them for relief every year have been brought to their destitute condition primarily through lack of work, and this cause, investigation proves, is responsible also for frequent recourse to virtual loans from the corner grocery store and to pawnshops. Investigations in the large cities of Great Britain show similar results.

c) EFFECTS OF CHRONIC UNDEREMPLOYMENT[1]

Such a situation [chronic underemployment] almost forces the worker to lead a hand-to-mouth existence. He hesitates to plan ahead, because he never knows whether he will be able to carry through his plans or not, for fear of an interruption of income. A premium is, therefore, placed on the lack of thrift. When the normal income returns after a famine period, it not unnaturally leads a

[1] Taken from Joseph H. Willits, *Philadelphia Unemployment*, pp. 51, 52. (Published by the Philadelphia Department of Public Works, 1915.)

family to spend extravagantly after the strain of pinching through a hard time.

Perhaps the most serious industrial result of unemployment is its effect on the quality of the working people. It makes good workers bad. It turns workers who were capable and willing into men who are neither capable nor willing to hold a steady job if they could get one. As one man with whom I talked when he was out in front of a hosiery mill at the noon hour, said, "For six months before this month, we have been working from 8 to 3. When we came to go back to the old hours (7 to 5:30) it seemed at first as if we just couldn't make ourselves get up an hour earlier and work two hours later."

The utter inability of the workers to understand or to change the situation breeds a fatalistic lack of hope that soon manifests itself in a lack of ambition and effort. The secretary of the National Lace Weavers' Union says, "The lace industry has made more bums than any industry I know of. I have seen men go into the mills only to work an hour this morning or an hour this afternoon, so long that they are incapable of sustained effort. They lose their personal 'punch' and often eventually lose their ability to discuss anything except how things are this week in this or that plant."

One of the usual ways by which such a depression leads to a debasing of the worker is by causing the skilled man to drift into an unskilled trade. When a man is out of work, he is very apt to "take anything" that offers, whether it is a job in which he can utilize his skill or not. The very common result is that he is never able to "come back" to his own trade. His ability in his particular trade is sacrificed and he drifts into the already tremendously overcrowded class of unskilled men.

5. TRADE UNION REACTION TO UNEMPLOYMENT (1919)[1]

The American unions have adopted certain policies which have as their object a solution of the problem of unemployment. Unions generally regard the amount of work which is to be done as a fixed quantity. Their chief concern, therefore, is the number of workmen among whom the employment is to be divided. Thus, the unions have been the strongest agitators for a restriction of immigration. In the same manner they appear to think that by the abolition of

[1] Adapted with permission from D. P. Smelser, *Unemployment and American Trade Unions*. (Johns Hopkins Press, 1919.)

the manufacture of goods by convict and child labor the per capita amount of work will be increased. In view of the existence of such union theories, it is not surprising that a great number of unions have placed restrictions upon the admission of workmen on their organizations.

Similarly a great part of the jurisdictional disputes among the unions is directly attributable to the "work fund" theory. Each union strives zealously to increase its jurisdiction, since the members expect thereby to increase their field of employment and thereby to increase the per capita amount of work for the members.

The American unions have attempted to solve the problem of unemployment also by the adoption of policies which, it was thought, would tend either to increase the total amount of employment or to distribute the employment over a greater number of their members. Such policies are (1) restriction of output, (2) shortening of the normal day, and (3) regulation of overtime.

6. CAUSES OF UNEMPLOYMENT

a) INDUSTRIAL CAUSES AT WORK[1]

Regular Causes of Unemployment		Casual nature of certain trades Repair of works Climatic changes Habitual changes of fashion Reserves of labour round industrial establishments Lack of proper organization in factories resulting in anarchic methods of hiring and firing workmen
Irregular Causes of Unemployment	Uncertainties in Political Life	War Changes in Legislation bearing on economic activities Irregularities of public works
	Variations in Nature	Famines: Agricultural or other disasters Earthquakes Storms at sea (affecting dock labour)
	Variations in the Comparative Attractiveness of Investments	Invention of new machinery Improvement in industrial organization Removal or displacement of an industry Change of routes, of means of communication, and of tariffs Alteration of waterways to the interior Long time changes of fashion Sudden immigration of workmen: a temporary flow of workmen towards a given industry or towards a given centre Involuntary closing of factories Changes in money value. Price fluctuations Abuses of competition and speculation Sweating system and abuse of employment of women and children Excessive prolongation of the hours of labour A crisis abroad or a change in the market of some other country Changes in foreign competition and production

[1] Adapted with permission from Joseph L. Cohen, *Insurance against Unemployment*, p. 30. (P. S. King & Son, Ltd., 1921.)

b) THE RESERVE OF LABOUR[1]

The trade union returns have yet one lesson to teach. The unemployed percentage, however it may fluctuate, never fluctuates down to zero.

The irreducible minimum of unemployment does not appear only in the general percentage for all trades taken together: it is shown also by each trade or group of trades taken separately.

Suppose that ten centres of casual employment—say ten similar wharves—each employ from 50 to 100 men on any one day, so that each considered separately requires a regular staff of 50 and a "reserve" of 50 more. In so far as the variations of work depend upon general causes, affecting all the wharves simultaneously and similarly, the busy and slack times respectively will tend to coincide and the variations in the total work to reproduce proportionately those of each separate wharf. In so far, however, as the variations at different wharves are unconnected, they will, in the total of men required at all the ten from day to day, tend to neutralise one another, because a busy time at some wharves will coincide with a slack time at others. Suppose that in fact the numbers employed at the whole ten from day to day range from a minimum of 700 to a maximum of 800. These daily numbers, whatever they are, will give the numbers of "regular" and "reserve" labourers who may theoretically find work at the whole ten wharves taken together. They must be taken as unalterable, determined solely by the necessary irregularities of trade and tide. They would presumably be the actual numbers employed supposing all the ten were amalgamated into a single wharf having the same mass and flow of custom. But so long as the wharves remain distinct, the number of individuals who will practically be required to do the same work is affected also by quite a different set of considerations. It is clear that if each separate wharf forms an absolutely distinct labour market so that no man works at more than one, then, however the variations of business neutralise one another, the number of individuals required to do the work will be 100 for each wharf of 1,000 in all. It is clear, on the other hand, that if the whole ten form a single labour market within which labour is absolutely fluid, then the full number of individuals required will coincide with the maximum of 800 employed on any one day. The total number of men practically required to do the work without delay (and by consequence the number of reserve labourers) is, in fact, increased by every barrier to free

[1] Adapted with permission from W. H. Beveridge, *Unemployment*, pp. 68–81. (Longmans, Green & Co., 1910.)

movement from one wharf to another, and can be correspondingly decreased by everything tending to the organization of the whole ten into a single labour market. The greatest barrier to free movement in any area is ignorance among the men as to the demand for labour in different directions; every means taken to remove this ignorance enables the work of any area to be done with a smaller reserve of labour. But the general distribution of the most accurate information as to the amount of work at each centre is only a first step. Even if every man knows exactly how many men will be wanted next day at each wharf, this will not of itself (i.e., unless each knows also exactly how his fellows will act) prevent too many individuals from applying at one wharf and (perhaps) too few at another. If it is desired to do the work with the smallest possible reserve of labour, some means must be adopted for directing the right number of specified individuals to each wharf from some one centre or exchange.

The foregoing arguments may now be summarised. For the work of a group of casual employers a certain theoretically determinable number of men may be regarded as necessary; the number will be fixed by conditions of trade which must be taken for the present as unalterable. And, in so far as these trade conditions involve rapid and irregular variations of work within fairly definable limits, a part of this total number will have the character of an inevitable reserve of partially employed labour. But the actual number of men by whom the work is done, and its relation to the theoretically necessary number, will be affected also by another set of considerations, quite unconnected with the total volume of work or the unalterable conditions of trade. In the first place, every hindrance to the perfect fluidity of labour from centre to centre will swell the actual number of individuals doing the work by an amount representing the degree of friction. To return to the numerical instance, the work of ten wharves, which, if they had become for purposes of employment one wharf, might have been done by 800 men, would, with a certain degree of friction, require the services of 900. In that case there would, even when the wharves, as a whole, were busiest, be at least 100 men out of work.

Those men who will in practice be added to the theoretical maximum for any area by friction between its separate centres, though the product of disorganization are true reserve of labour without which, given that degree of disorganization and friction, the industry could not be carried on.

In the total reserve of labour for any occupation it is thus possible to distinguish three elements. There is first the body of men representing the fluctuations in the volume of work to be done at all centres of employment taken together. In the numerical instance given this consists of the 100 men making the difference between the 700 engaged on the day when the ten wharves collectively are slackest and the 800 engaged on the day when the ten wharves collectively are busiest. These men are required by the conditions of the trade as a whole. There is, second, the body of men required by the fact that, owing to distance, ignorance or custom, the supply of labour cannot move with perfect freedom and instantaneously from any one centre of employment to any other, and that therefore separate centres, to meet their fluctuations of work, must to some extent keep separate reserves. These men represent the friction of the labour market. In the numerical instance given they are the 100 men between the 800 required on the busiest day for the wharves collectively and the 900 required because the men just dismissed from one wharf which is slack are not necessarily or immediately available for work at any other which happens to be busy.

c) SOME CONSTANT CAUSES OF UNEMPLOYMENT[1]

Machinery and new processes.—That the discovery of new processes of manufacture are causing men to be displaced from industry at every step is so commonplace that it is likely to be overlooked. Ordinarily we should expect the number of wage-earners employed in our industries to increase with the growth of the population. Yet in the five years between the manufacturing censuses of 1900 and 1905, out of 61 leading industries in the State of New York, nine suffered actual decreases in the number of their employees which might be traced to the introduction of machinery. The decreases in the number of wage-earners are accompanied by an increase in the value of machinery, tools and implements employed.

In some industries the contrast is striking. For instance the manufacture of men's furnishing goods, in which New York ranks first among the states, the value of machinery used increased almost 17 per cent, while the number of wage-earners decreased 23 per cent. In the leather gloves and mittens industry the value of machinery increased over 17 per cent, while the number of employees decreased

[1] Taken from William L. Leiserson, *Unemployment in the State of New York.* (Columbia University, 1911.)

43 per cent. A smaller working force often goes hand in hand with expansion of industry. Comparing the census figures of 1900 with that in 1890, we find that ten of the leading industries in this state showed an increased amount of capital invested accompanied by a decreased number of workers. In the men's clothing industry, for example, capital increased from $46,000,000 to $51,000,000 or 11 per cent, the value of products increased from $96,000,000 to $126,000,000 or 30 per cent, while during the same decade the wage-earners employed fell from 54,000 to 41,300, over 13 per cent. Shirts, worsted goods, carpets, slaughtering and cheese, butter and condensed milk show similar changes.

There is no doubt that while some trades are thus taken away by machinery and changed processes, others are developing, but that is of little help to the unemployed man who does not know where to look for the new work, and who has not the training for it if he finds it.

d) THE TEXTILE INDUSTRY[1]

Of Philadelphia industries, the textile and clothing manufactories show chronic unemployment and part time employment at their worst.

It is worth while to point out two general conditions that especially contribute to permanent unemployment in the textile industries. First is the constant shift of demand from one type of textile fabric to another. The industries that have been built up to supply products no longer demanded by the market must gradually die out, or readjust themselves to a new demand. During the decadence of these industries, the number of workers that have been attracted to the industry, is greater than can now be kept busy. These employees hesitate to leave the industry for some other probably uncertain and unaccustomed line; conditions may improve in their own trade. Moreover, under existing circumstances in industrial plants, they feel that the skill acquired by years of work in their own trade will be sacrificed, and many are too old to risk the change. An excess of workers is, therefore, characteristic of a declining industry. A long period of part time and of unemployment, often running into years, results. A letter from one of the editors of the Textile Manufacturers' Journal shows the frequency of the rise and fall in textile industry:

[1] Taken from J. H. Willits, "Chronic Unemployment in Relation to Technological Changes and to Fashion," *Philadelphia Unemployment.* (Philadelphia Department of Public Works, 1915.)

To take up one item that you speak of in your letter, viz., the fact that carpets have given way to rugs, it must also be remembered that the wool rug industry has suffered by the competition of grass and other fiber rugs. In connection with the increase in the demand for silk and light hosiery would say that the same tendency was evident in the case of neckties, where artificial silk was largely used. This, however, has again almost disappeared.

In the matter of knit goods we find that a great many changes have taken place which are revolutionary. For instance, there have been some radical alterations in outer garments, such as sweaters. These did take the place of overcoats with the general public in a very great degree, but in turn have been supplanted in many instances by the mackinaw. These again in turn, as far as women are concerned, have given place to the pure silk and artificial silk sweater which is now in increasing demand.

A second condition that contributes to irregularity in employment, and is very much more important now than it was twenty years ago, is the growing tendency—especially in hosiery, higher grade carpets and fancy dress goods—to manufacture solely "on orders." Formerly a manufacturer produced standard makes of his particular line and simply piled up stock in his warehouse in the off-season. To-day manufacturers make, as a rule, very little to stock and run chiefly on orders. The result is that when orders come in thick and fast at the proper season, there is a period of feverish activity until they are delivered, and then probably a long period of total or partial unemployment. The experience of one man (a warper) represents a situation prevailing in a large percentage of the textile factories. "The second week after I was employed at . . . . I was called on to work overtime four nights till 9 o'clock at night. On Saturday of that week, I, with four others, was laid off for lack of work."

Lace and lace curtains.—The last ten years has witnessed a steady increase in unemployment in the lace, and particularly in the lace curtain business. There is no longer the demand for the lace curtains which fifteen years ago adorned parlor and bedroom windows alike. Consequently the lace mills have rarely worked full time during the last six years. Since both the employers and the lace weavers' union attempt to distribute what work there is among as many workers as possible rather than assist a portion of the employees to new trades, permanent part time employment results.

7. LACK OF ELASTICITY OF WORKING HOURS[1]

Elasticity of working hours means that the reserve power to meet growth in the demand for labour should, up to a certain point, be found rather in the ability of the men engaged to work longer, than in the presence of unemployed men standing ready to be employed. Conversely it means that the loss of employment due to diminution of the demand should by a reduction of hours for all be spread over the whole body of men instead of being concentrated, by complete dismissal, upon a few.

This method of meeting fluctuations is, of course, by no means unfamiliar. It is found very completely developed in coal-mining, where, according to the state of trade, the pits remain open for varying numbers of days each week. The actual fluctuations to be met are very considerable. Thus for 1895, 1900, 1905 and 1907 respectively the average number of days worked at all the coal-mines making returns were 4.74, 5.47, 5.03 and 5.51 respectively. In other words, they were in turn 79, 91, 84 and 92 per cent of the theoretical maximum of six days a week. The fluctuations, however, being met in the manner indicated, involve hardly any dismissal of individual workmen and therfore substantially no acute distress.

The more general application of this method is obviously to be desired. It is above all suited to those definite and general contractions in the demand for labour which have been considered under the title of cyclical fluctuation. The difference between a ten hours' and a nine hours' day, for instance, would, other things being equal, carry off a depression of 10 per cent. The difference between ten and eight hours would carry off a depression of 20 per cent. Except in one or two industries depressions hardly ever reach this magnitude. As measured by the general unemployed percentage the deepest depression ever recorded—that of 1879—represented a fall of only 10 per cent from the most prosperous of the years before.

It is not, indeed, suggested that a general eight hours' or six hours' day in slack times should be imposed by direct legislation. The matter is certainly not now one for legislation, even if it ever can be. It is one for the association of employers acting in agreement or in sympathy with the associations of workmen, and it is a matter for each trade more or less by itself. It will be found probably

[1] Adapted with permission from W. H. Beveridge, *Unemployment*, pp. 219–29. (Longmans, Green & Co., 1910.)

that in some trades organised short time is impracticable; in others that it would increase merely the length of the job, not the numbers whom it was possible to employ; in others that it would add excessively to the cost of production. All these considerations must make procedure tentative. Yet there can be little doubt that a large field for reform in this direction lies open if once the principle of elasticity in working hours be accepted by the great industrial associations.

8. UNEMPLOYMENT AND CREDIT[1]

The credit problem is our biggest labor problem, because it lies at the bottom of the question of unemployment and that question is the point of bitterest contact between capital and labor today. One might even say that socialism and trade unionism are both founded on the fear of unemployment.

The banking system, which is the center of the credit system, more than the business man who is the actual employer, can stabilize industry, and, in stabilizing industry, stabilize employment. The difficulty is that no one individual can do it alone; no bank can do it by itself; no one business man can do it by himself; it is a collective responsibility and collective action is necessary. If one person is trying to stabilize his industry by not over-expanding and not taking too many rush orders, he simply knows that his competitors will get his business. But if all the business men who are competing with each other know that the banks are treating the others in the same way, then stabilization might be expected to work. So that the inducement to stabilize employment in order that it may be really effective must not only take the example of those manufacturers who have pioneered the way themselves, but must interest the entire banking system of the state or nation in the plan.

Now the Huber bill proposes that when an employer lays off a man, if the man has had six months' work in the state during the year, the employer shall pay him a dollar a day for a period of thirteen weeks, and pay the state ten cents a day additional toward expenses of administration. This creates a possible liability of about $90, added to every man taken on in case he is laid off through no fault of his own, but simply through fault of the management. It means an added liability which the employer assumes when he hires a workman, so that, under such circumstances, it should be expected that when an

[1] Adapted with permission from John R. Commons, *The Survey* (October 1, 1921), pp. 4, 6. (Published by Survey Association.)

employer wants to expand, and he ordinarily cannot expand except by getting credit, he will go to the bank for additional credit and the banker will necessarily inquire as to what security he has that, at the end of these rush orders, he will be able to continue the employment or pay that possible $90. In other words, the business man and the banker together are the controllers of credit, and it is the control of credit which can stabilize business. The over-expansion of credit is the cause of unemployment, and to prevent the over-expansion of credit you place an insurance liability on the business man against the day when he lays off the workmen.

9. IMMIGRATION AND UNEMPLOYMENT[1]

Whenever there is a considerable amount of unemployment in the United States, immigration automatically falls off, but by many it is not regarded as a sufficient check.

A large proportion of immigrants to this country are unskilled laborers or persons without a definite occupation. The following

TABLE LXXIX

NUMBER AND OCCUPATIONS OF IMMIGRANT ALIENS

Occupations	Number, 1920	Percentage of Total	
		1920	1910–1914
Professional	12,442	2.9	1.2
Skilled	69,967	16.3	14.5
Farm laborers	15,257	3.5	24.3
Farmers	12,192	2.8	1.1
Laborers	81,732	19.0	18.4
Servants	37,197	8.7	11.7
Other Occupations	28,081	6.4	2.7
No occupation (including women and children)	173,133	40.3	26.2
Total	430,001	100.0	100.0

table classifies the arrivals to this country, by occupation, for the year 1920 with comparative figures for 1910–1914.

There are two major reasons why the influx of large numbers of unskilled workers, and to some extent of the skilled, inevitably tends to increase the unemployment situation: (1) the new arrivals largely concentrate in the large industrial centers where the employment situation is most acute; (2) unskilled immigrant labor, as a class, is,

[1] Adapted with permission from *Waste in Industry*, pp. 298–300. (Federated American Engineering Societies, Washington, D.C., 1921.)

for obvious reasons, more subject than the native to the hazard of unemployment or irregular employment.

The number of immigrants and emigrants for the 10-year period is shown in the following table:

TABLE LXXX

TOTAL ALIEN IMMIGRATION AND EMIGRATION, FISCAL YEARS 1910 TO 1920

Year	Immigrant	Emigrant
1910	1,041,570	202,436
1911	878,587	295,666
1912	838,172	333,262
1913	1,197,892	308,190
1914	1,218,480	303,338
1915	326,700	204,074
1916	298,826	129,765
1917	295,403	66,277
1918	110,618	94,585
1919	141,132	123,522
1920	430,001	288,315

Recent figures, beginning July 1, 1920, indicate a large increase of immigration even over the pre-war period.

The future of immigration to this country no man can safely predict. Whatever measures of restriction are adopted by Congress and European Governments, it is likely that at most times enough immigrants will reach our shores to affect the question of employment. The outstanding lack at the present time is competent distributing agencies which will place the newcomers to the best advantage for employment, and particularly to help them to agricultural pursuits so that they may not swell the labor surplus at industrial centers.

10. SUGGESTED MODES OF ACTION

a) UNEMPLOYMENT AND THE BUSINESS CYCLE[1]

In any analysis of our productive processes we can make a broad distinction between our additions to national plant and equipment, such as houses, railroads, manufacturers, and tools, on one hand, and the consumable goods which we produce on the other. At the present time we increase our activities in both of these directions at the same time, and in their competition with each other we produce our booms.

[1] Adapted from *ibid.*

The ebb and flow in the demand for consumable goods may not be subject to direct control; but, on the other hand, it should be possible in some measure to control the expansion of the national plant and equipment. If all branches of our public works and the construction work of our public utilities—the railways, the telephones, etc.—could systematically put aside financial reserves to be provided in times of prosperity for the deliberate purpose of improvement and expansion in times of depressions, we would not only greatly decrease the depth of depressions but we would at the same time diminish the height of booms. We would in fact abolish acute unemployment and wasteful extravagance, for a rough calculation indicates that if we maintain a reserve of but 10 per cent of our average annual construction for this purpose we could almost iron out the fluctuations in employment. Nor is this plan financially impracticable. Under it our plant and equipment would be built in times of lower costs than is now the case when the contractor competes with consumable goods in over-bidding for both material and labor.

The subject is one of most profound national importance and is at least one direction in which a balance wheel could be erected that would tend to maintain an even level of employment and business. The action of the states of Pennsylvania and California in making a provision for the control of public works to this end is one of the most interesting and important economic experiments in the country.

Data needed to direct the control.—In order to guide such a policy it is fundamental that an accurate statistical service be organized.

Such statistical service would in itself contribute to minimizing the peaks and valleys in the economic curve. The same warnings that would enable intelligent action on the part of public authorities and those who control large enterprises in guidance as to the periods in which construction should be deferred or should be initiated would also serve as a warning to the commercial public and would tend in themselves to effect the ends desired.

b) LONG-RANGE PLANNING OF PUBLIC WORKS[1]

When public works are done in greatest volume during periods of active industry the same men and material are being competed for by both public and private employers. The inevitable result is

[1] Taken from *Report of the President's Conference on Unemployment*, October, 1921, pp. 96–106; Report of Committee on Public Works; Adopted by the Conference October 13, 1921.

to raise the height of the crest of the wave of cyclical business inflation and to cause a greater crash when the heightened wave breaks, as it always does.

In a growing country like the United States the aggregate volume of public works of cities, counties, states, and of the federal government is so great that if a larger proportion were executed in years of depression than in years of active industry a powerful stabilizing influence would be exerted. In the past, however, public works officials have felt poor when business was depressed around them and conversely have often executed their chief undertakings when the contagious enthusiasm of captains of industry and of the general public has hailed a period of prosperity at hand.

A large percentage of all public work is done out of the proceeds of bond issues to be paid off out of annual taxes received during subsequent decades. Not only can municipalities borrow more favorably than private borrowers in bad times, but by timing their public work during periods of inactive business and relative unemployment they can also secure a more plentiful and regular supply of materials and labor as an important economy in construction. When, in addition to these already cogent reasons, it is remembered that municipalities and their constituent citizens do in fact assume and bear the cost of destitution within their gates, any measure which tends to steady employment of their citizens in bad times and good will be some policy from whatever point of view considered.

The leadership of the federal government in expanding its public works during periods of depression and contracting execution in periods of active industry requires no great change from existing procedure. Already the executing agency enjoys great latitude as to the period in which the appropriations may be spent. The remaining step is to choose the period of intensive execution to synchronize with major periods of industrial depression.

Certain works of the federal government, such as reclamation, flood prevention, river and harbor work, roads and public buildings, are peculiarly suited for consideration as large undertakings covering a long period and capable of elasticity of execution to synchronize with cycles of business depression. The machinery legislated by the states of Pennsylvania and California to plan in advance for the expansion of public works during periods of depression are examples of present tendencies. Available estimates show that if 20 per cent of ordinary necessary public works were deferred each year and the

accumulation executed in a year of depression occurring once in 10 years, the lifting power of public works would be at least one-third the dead weight of such a depression as the present. That the indirect effect would be even greater is indicated by the attached charts.

Excerpts from Report of Economic Advisory Committee on Emergency Public Works, September 26, 1921:

1. The best remedy for unemployment is employment.

2. Direct employment is given by public works.

3. Indirect employment is given in the manufacture of the materials needed.

4. The wages paid to those directly and indirectly employed create a demand for other commodities which require the employment of new groups to produce (see charts attached). Thus public works assist in reviving industry in general.

5. Public works will serve as a partial substitute for private relief and charity.

Cautions.—1. Public works must be on a "commercial" basis, not a "relief" basis, otherwise waste will result. On a "commercial" basis men fit for the work are engaged at usual rates and wages and unfit workers are discharged. On the "relief" basis the workers are chosen primarily because they are in need and retained whether fit or not.

2. Only necessary public works should be undertaken which would ordinarily be executed at some future time.

On deferring specific public works.—There is a serious apparent objection to the policy of deferring needed public works during a period of seven to nine years in order to concentrate a larger amount than normal in a depression year. On examination it will be found that no specific piece of public work will be deferred for any such length of time. This may be illustrated as follows: Suppose that normally the public-works construction of some given community amounts to $100,000 a year. The community is asked to defer about 20 per cent of this in normal years. The first year, public works to cost $20,000 are deferred. The construction of this particular public works will not, however, be deferred until the depression year. It will be constructed in the second year, and newly authorized public works to cost $40,000 will be deferred from the second into the third; to cost $60,000 will be deferred from the third to the fourth year, and so on. Only after the fifth year would any specific public-works construction be deferred more than one year. The work concentrated

in the tenth year would be deferred from no earlier year than the eighth.

c) EMPLOYMENT EXCHANGES[1]

State employment exchanges.—Previous to the world-war a number of states had established systems of employment exchanges, but their work was limited in scope. Dr. Edward T. Devine reported that the Ohio system was the only one found to be adequately equipped, "New York, Massachusetts, Wisconsin, and a few other states—ten at the outside—had what might be called systems of free public employment bureaus. Twenty-six states had passed laws of some kind authorizing their establishment."

At the beginning of 1919, there were twenty states which contributed to the support of public employment offices. The largest amount appropriated was $253,000; the smallest $1,400; the total amount, $785,254. In 1919, New York, Illinois, Pennsylvania, California, and Michigan conducted ten or more offices. In all there were 129.

In 1920, the financial support to state employment offices was materially increased. The total appropriations amounted to nearly $300,000 more than in 1919. The number of offices decreased by ten, consolidations having been made in some states, which at the same time increased appropriations.

Criticism of state systems.—Among the criticisms directed against state employment systems is their liability to political control; lack of adequately trained personnel due to shortage of funds; and inability to meet interstate needs, or even to any great extent those within the state.

The difficulty of state offices in making interstate placement is twofold. First, without a general employment system, they lack information. There may be unemployed carpenters in one state and a demand for them in the next, but if employment records are not exchanged the two state offices are equally powerless to place the workers or supply the employers. Second, there is a natural tendency to oppose the spending of state funds for placements outside the state.

Semi-public.—The second group of employment exchanges in the United States to be considered are the semi-public, for example, the philanthropic societies making the placement of workers a part of

[1] Adapted with permission from *Waste in Industry*, pp. 279–82. (Federated American Engineering Societies, Washington, D.C., 1921.)

their activities. Organizations like the Y.M.C.A., the Y.W.C.A., the Knights of Columbus, and some of the Jewish societies have done much in this direction. Their service is either free or at least the fees are nominal in amount. Their effectiveness, however, is limited to comparatively small groups, as some workers avoid them because they regard the service as a charity, and because of religious and other reasons.

Private.—Private agencies comprise the third group of employment exchanges in the United States.

a) Commercial employment agencies: There were between 4,000 and 5,000 commercial employment agencies in the United States at the beginning of 1919.

The basic defect in commercial employment agencies as a means of reducing unemployment is that their profits depend on the number, not the permanence, of the placements made. Hence it pays the agency to entice men from one place to another and to stimulate turnover rather than to reduce it.

Much evidence has been collected to prove the abuses carried on by private agencies. Typical practices are the misrepresentation of wages and working conditions, extortionate fees, splitting fees with foremen to secure frequent discharges and opportunities for new placements, and the shipment of men to distant points where no jobs are really available. The New York City Commission of Licenses investigated 1,932 complaints against commercial employment agencies in one year, ordered the refunding of over $3,000 to clients of these bureaus, revoked 13 licenses, and secured the conviction of 9 employment agents. Such a record is an index of the abuses which obtain in the country at large.

d) PUBLIC EMPLOYMENT EXCHANGES IN THE UNITED STATES

Federal.—Up to the end of 1917 there were no employment offices in the United States organized on a national scale. Some were administered by the Immigration Department, others were under state control, and there were many private agencies, when industry began to fill war orders.

To meet this emergency the U.S. Employment Service was organized with the Department of Labor, and all employment work was transferred to it from the Bureau of Immigration.

In addition to the paid personnel of the Service, there were gradually developed volunteer state advisory boards, and community

labor boards on which the federal government, employers, workers and women were represented. These volunteer boards were effective in determining policies and especially in winning employers to regard the Service more favorably.

Subsequent to October 1, 1919, the employment offices were under state operation, with federal co-operation. A general view of its activities through the three-year period from 1917 to 1920 is offered by the following figures.

TABLE LXXXI

ACTIVITIES OF THE U.S. EMPLOYMENT SERVICE, 1917–20

Fiscal Year Ending June 30	Help Wanted	Registrations	Number Referred	Number Reported Placed
1918	2,993,798	2,381,392	2,112,139	1,890,593
1919	10,701,447	6,166,447	5,646,353	4,267,350
1920	2,589,145	3,165,559	2,458,809	2,020,252

After the war financial support was practically withdrawn, and the funds appropriated last year were $400,000 instead of the $4,600,000 requested of Congress. At present only a skeleton service is maintained.

11. THE EMPLOYER AND UNEMPLOYMENT COMPENSATION[1]

Clearly it is the duty of the community to take every possible step to steady the labor market and to provide work for the unemployed in times of trade depression, on satisfactory lines.

But when the utmost has been done in this direction there will still remain a margin of men and women for whom work cannot be found. What is to happen to them? I suggest that if, in order to function efficiently, industry retains a reserve of workers to meet its varying demands, it should make adequate provision for the maintenance of that reserve when it cannot be absorbed. If employers, as a class, fail to acknowledge this responsibility they are, it seems to me, giving away one of the main defences of the existing system, under which the capitalist asks the workers to unite with him in undertaking an industrial enterprise. What he says to them is practically this: "If you will provide labor, I will provide the necessary

[1] Adapted with permission from B. Seebohm Rowntree, "Unemployment Compensation an Aid to Economic Security," *American Labor Legislation Review*, Vol. XI (December, 1921).

capital. The first claim upon the product of our joint enterprise shall be the payment to you week by week of agreed wages. After that the other charges of the industry must be met, and then if there is anything over I will take it as a recompense for the service I render in providing the capital. Since I take the risks of industry, I am justified in taking the profits."

There is a great deal to be said for an arrangement of this kind, but at present one of the principal risks attached to industry is liability to find one's self unable to earn a livelihood, through involuntary unemployment due to trade depression. If the capitalist leaves the worker to face that risk unaided, he abandons the ground on which he justified himself in taking all the profits, and his claim to do this can no longer be defended.

It is not unreasonable of the workers to demand that, just as a well administered firm sets aside capital reserve in periods of prosperity so that it may equalize dividends over good and bad years, so an industry or a firm should establish a wages equalization fund, which will enable it to pay part wages to its reserve of workers during the periods in which their services are not needed.

12. UNEMPLOYMENT INSURANCE[1]

When all has been done that can be done to organise the labour market, many further measures will still be needed. The problem of cyclical fluctuation will not have been touched directly at all. The problem of seasonal fluctuations will have been affected only to a small extent by the extended and organised use of subsidiary trades. The incalculable changes and irregularities of economic conditions will still make nearly all men insecure. No amount of Labor Exchanges can guarantee that every man falling out of one job shall at once find another job suited to his powers.

The need for further measures must be fully recognised. The consideration of those measures in this chapter may, however, be premised by two general considerations. First, though the organization of the labour market can have no direct influence upon cyclical fluctuation and certain other factors in unemployment, it may have, and indeed is certain to have, a very important indirect influence on the degree and volume of distress involved in these factors. Decasualisation will reconstruct the whole conditions of life in the

[1] Adapted with permission from W. H. Beveridge, *Unemployment*, pp. 219–29. (Longmans, Green & Co., 1910.)

lowest ranks of industry, sifting out for remedial treatment a certain number who are unemployable, and forcing up the level of all the rest. It will replace the casual class—always on the verge of distress, always without reserves for an emergency—by a class for whom the words foresight, organisation and thrift may represent not a mockery but a reality. Exceptional depression of trade, therefore, will far less certainly mean acute or immediate distress. Second, unemployment itself must be accepted as in some degree inevitable. The influence of seasons will survive any change of human institutions. Cyclical fluctuation will survive any change which does not threaten the very principles of industrial growth, and is in any case quite certain to recur for many decades to come. Changes of structure also are inevitable unless industry is to become stereotyped and unprogressive. Finally and quite generally, so long as the direct demand for labour remains distributed between and dependent upon the fortunes of a host of individual employers, the demand may in certain times and places fall out of perfect adjustment to the supply; the vicissitudes of the numberless separate groups of producers means insecurity for the individuals composing those groups. They are constantly passing from one group to another; it will always be possible for an individual to fall out of one group without immediately finding another to receive him. To a very large extent therefore it must suffice to aim at preventing, not unemployment itself, but the distress which it now involves.

13. UNEMPLOYMENT RELIEF MEASURES IN GREAT BRITAIN

a) THE BRITISH UNEMPLOYMENT INSURANCE ACT[1]

In 1920 all parties in the State, as well as practically all employers and employees, were ready for a national scheme covering the whole of the industrial population. The Act passed provides that all persons of the age of sixteen and upwards who are employed under a contract of service or apprenticeship will be compulsorily insured against unemployment save persons employed in agricultural work, including horticulture and forestry, private domestic servants, outworkers, Government and public corporation employees who are employed continuously, and agents paid by commission or fees or a

[1] Adapted with permission from Joseph L. Cohen, *Insurance against Unemployment*, pp. 205, 206, 211–13. (P. S. King and Son, Ltd. London, 1921.)

share in the profit. About twelve and a quarter million people were compulsorily insured.

The State contributes annually, from money granted by Parliament, an amount equal to about one-third of the total contributions of employers and workmen. The contributions from employers, the workmen, and the State together form the Unemployment Fund from which benefits are paid. This fund is controlled and managed by the Ministry of Labour.

Contributions.—Contributions are levied at a uniform rate for all workmen. There is an obvious objection to having the payment of equal contributions by people subject to different risks. The amount of unemployment varies with the occupation, the age, and probably with the wage of workmen. It was actually planned at first to meet this variation through differences in the rate of benefits, but the lack of adequate statistical data made this difficult. Women and boys and girls under eighteen pay a different rate of contribution from men.

Contributions of employers and workers are paid in the first instance by the employers, who are required to purchase and affix to the workmen's "unemployment books" unemployment insurance stamps to the value of the joint contributions of employer and workman. After having fixed the stamps the employer may deduct from the workman's wages one-half of the value of such stamps. No contributions are required while the workman is out of work.

The unemployment insurance stamps are obtainable at post-offices. No employer may employ a workman in one of the insured trades who does not have an insurance book. The adoption of this method of collecting the contributions not only saves time, but also dispenses with the need of an army of agents, or of some alternative agency which would otherwise be necessary to collect the contributions of over twelve and a half million members.

Since July 4, 1921, the weekly rates of contributions have been:

TABLE LXXXII

	Employer	Employed	State
Men	8*d.*	7*d.*	3¾*d.*
Women	7*d.*	6*d.*	3¼*d.*
Boys	4*d.*	3½*d.*	1–7/8*d.*
Girls	3½*d.*	3*d.*	1–5/8*d.*

Benefits.—From March 3, 1921, the weekly rate of unemployment benefit has been:

Men	15*s.*
Women	12*s.*
Boys (between the ages of 16 and 18)	5*s.*
Girls (between the ages of 16 and 18)	4*s.*

The maximum periods during which benefits may be drawn are as follows:

	WEEKS
Between March 3, 1921, and November 2, 1921 (first "special period")	16
Between November 3, 1921, and July 2, 1922 (second "special period")	16
Thereafter, in each insurance year	26

The principal preliminary qualification for benefit in the period up to July 2, 1922, was the furnishing of proof of employment in insurable work in at least twenty weeks since December 31, 1919, and of proof that the applicant was normally in insurable employment, was genuinely seeking whole-time employment, and was unable to obtain it.

Benefit is not paid during the first three days of unemployment. Where, however, unemployment occurs again within six weeks of this "waiting period" of three days' unemployment for which benefit is not paid, the applicant does not need to wait again before drawing benefits.

The following statutory conditions for the receipt of unemployment benefits are imposed:

1. The workman claiming benefit must prove that he has paid not less than twelve contributions under the Act.

2. He must make an application for benefit in the prescribed manner.

3. He must prove that since the date of the application he has been continuously unemployed.

4. He must prove that he is capable of work but unable to obtain suitable employment.

5. He shall not have exhausted his right to unemployment benefit.

Even though a workman has fulfilled the requirements of the statutory conditions, a workman is disqualified for benefit:

a) If he has lost employment by reason of a stoppage of work which was due to a trade dispute at the factory, workshop, or other premises at which he was employed, for so long as the stoppage continues or till he gets work again elsewhere in an insured trade.

b) If he had lost employment through misconduct, or has voluntarily left employment without just cause, for six weeks from the date of so losing employment.

While he is an inmate of any prison, workhouse, or other institution supported out of the public funds, or while receiving sickness or disablement benefits under the Government's Health Insurance Scheme.

Workmen in receipt of compensation for accidents or of old-age pensions, if insured, are not debarred from claiming benefit.

The condition that the unemployed workman must make application for benefit in the prescribed manner is the very core of the scheme. He is obliged to register at the employment exchange the fact of his unemployment. The exchange is in a position to know or discover whether his unemployment is due to lack of work in the establishment in which he has been engaged. It is able to find him work at his own employment in other establishments in the district, if vacancies exist. It might even help him to obtain employment in some other part of the country. The employment exchange thus controls the payment of benefit. It affords the test necessary for benefit. The unemployed workman when he presents himself to the exchange may thus be offered either employment or unemployment benefit. It is unfortunately too often assumed that the employment exchanges only distribute benefits and that this work can be undertaken by local authorities, by the post-office, or by "approved societies other than trade unions." This idea is entirely erroneous. If the exchanges did only distribute benefits, then indeed any paying agency could easily carry through this task.

But their main function is to decide first whether the workman is really unemployed through no fault of his own and whether he is unable to obtain suitable employment. To be able to decide these questions a national system of employment exchanges is indispensable.

b) TRADE UNIONS UNDER THE BRITISH ACT[1]

The Unemployment Insurance Act of 1920 extends the provision of compulsory unemployment insurance beyond the trades designated in the National Insurance Act of 1911, to nearly all the trades, and increases both the contributions and the benefits.

[1] Taken with permission from Clarence H. Northcott, *Political Science Quarterly* (September, 1921), pp. 421–25. (Published by Academy of Political Science, Columbia University.)

An interesting feature carried over from the National Insurance Act by the Unemployment Act is the provision enabling trade unions or other societies described as "associations of employed persons" to pay out the state benefit. These societies must have rules providing unemployment pay at a rate at least one-third that payable under the act. Further, they must have a system of ascertaining wages and conditions in every industry covered by the act, so as to bring their members as speedily as possible into touch with employers' vacancies. Such societies may pay out the state benefit, receiving in return a grant from the state of one shilling a week for each unemployed member as repayment of expenses incurred. In order to meet the conditions of this clause, many unions have set up schemes of unemployment benefit. The National Union of General Workers, whose membership comprises about two million unskilled workers, given six shillings a week benefit in return for twopence a week, contributed. The skilled trades give larger benefits, that of the National Union of Railwaymen being fifteen shillings a week.

The clause above referred to was inserted because the unions insisted on their right to administer benefits and because they protested against granting this privilege to the great industrial insurance societies. Eventually, by the wording of the clause, these societies were excluded from such arrangements. The exercise of the right will be of benefit to the unions in controlling the labor market and in preventing deterioration of the morale of their members.

The act also provides that any industry may draw up a special scheme for itself which, when approved by the Minister of Labor, will have statutory force. It is expected that a Whitley Council or some association representing a substantial majority of the employers and workers in the industry will ordinarily make such a proposal. Such special schemes must fulfil certain conditions: (1) They must cover all persons employed in the industry in the geographical area concerned. (2) The benefits they propose must not be less favorable than those provided under the general scheme. (3) The state's contribution to a special scheme shall not exceed three-tenths of its contribution under the general scheme. (4) Such schemes will be administered by a joint body of employers and workers in the industry, not by the Ministry of Labor, as in the case of the government scheme.

c) UNEMPLOYMENT CASES UNDER THE BRITISH ACT[1]

1. It is clear that unemployment insurance benefits should not be paid during sickness or invalidity.

2. The Act provides that workmen who have lost employment through misconduct or have voluntarily left employment without just cause shall be debarred from benefits for six weeks from the date of so losing employment. It is important to note that both these ideas are not precise, and that only as the Umpire's decisions are laid down will a precise enumeration of the conditions and facts which constitute "misconduct" and "just cause" be possible.

A question continually to be faced by the Umpire is whether the employment exchange shall expect the unemployed workman to accept work far away from his home or to take up work in some other trade. When the distance is far or the railway connection bad, then workmen may refuse work in those places.

The other question, as to whether a workman should take up work in some other trade, is one of the gravest problems that must be faced in dealing with the unemployment problem. Where the workman himself wishes to learn a new trade, then there is little difficulty and no objection to his doing so.

But trade unions are strongly opposed to workmen having two trades, i.e., to changing from one trade to another trade as a normal feature of their industrial life. They argue that most workmen will stand out for union conditions in the trade in which they feel themselves to be most efficient, and will be prepared to accept lower wages, longer hours, and non-union conditions of labour in their "secondary" trade. Such a state of affairs would be, they contend very properly, very perilous to trade union standards.

Trade disputes.—It is, of course, essential that the administrators of the British scheme of unemployment insurance shall be impartial in cases of strikes and lock-outs. Employers, as well as employees, contribute towards the Unemployment Fund, and therefore would object to their contributions being used against them in industrial disputes. It is therefore unanimously held by students of the problem that benefits shall not be paid during labour conflicts.

Now it is well established that lock-outs tend to take place during a slack period when men are likely to be little employed or unemployed. More irritating even to workers is the consideration that sympathetic

[1] Adapted with permission from Joseph L. Cohen, *Insurance against Unemployment*, pp. 237–42. (P.S. King & Son, Ltd., 1921.)

lock-outs are apt to take place, and at such times it is exceedingly difficult to discover whether unemployment is due to a trade dispute or to the individual's inability to find employment because of lack of work.

14. SOME DIFFICULTIES IN UNEMPLOYMENT INSURANCE[1]

There are special difficulties in the path of unemployment insurance which are not met with in the case of accidents or diseases.

What do these difficulties consist of? It is the theory of insurance science that any risk may be insured, provided there is any regularity at all about its occurrence. Unemployment is a risk. It demonstrates a fair degree of regularity both in its dependence upon trade and in its time fluctuations, whether in annual or longer cycles.

When the whole problem was investigated very thoroughly by the Imperial Statistical Office of Germany in 1906, the conclusion arrived at was that there were no insurmountable technical obstacles to the development of an unemployment insurance system. With comparatively few exceptions, the presence or absence of an accidental injury may be easily determined. It is an objective occurrence to be verified by statements of witnesses and the results may be controlled by expert medical supervision. The same, though perhaps in a somewhat lesser degree, is true of sickness. Malingering and exaggeration of subjective symptoms may occur, but it must be the exception rather than the rule.

But the fact of unemployment or, rather, lack of employment, the impossibility of finding employment, lacks that conclusive evidence. It often is and still oftener may be claimed to be the result of the individual's efforts or absence of them. It may be easily simulated.

Furthermore, unemployment insurance tends to result in an unfavorable selection of risks against the insuring institution. After the average risk is determined, it is the usual practice of every insuring company to exercise strict supervision over the selection of risks, accepting such individuals (or property) as are a better risk than usual, and rejecting those that are a worse than ordinary risk. In this way insurance is made safe and also profitable. The risk of unemployment is, to a large extent, dependent upon personal factors. The insurance institutions may eliminate such trades as have an

[1] Adapted with permission from I. M. Rubinow, *Social Insurance*, pp. 456–60, 473, 475–79. (Henry Holt & Co., 1916.)

excessive unemployment risk, but it is difficult to eliminate the individual with an abnormally high unemployment risk.

Finally, it is argued that any system of unemployment insurance faces a serious difficulty when confronted with the conflict of capital and labor. A certain amount of unemployment is voluntary for legitimate reasons—that unemployment, either individual or collective (strikes), which results from bargaining over the wage-contract. It is not always easy to differentiate this form of unemployment from others. If unemployment insurance is extended over this form, it must meet with tremendous opposition from the employing class; if it is excluded, the opposition is equally strong on the side of the wage-workers.

15. THE CLEVELAND GUARANTY PLAN[1]

Since July, 1918, when the Board of Referees undertook its duties in Cleveland, two notable advances in the conditions in the industry have been made: (1) the establishment of a standard wage scale affecting all shops and all classes of workers; (2) the adoption of production standards now well on the way of installation. The next desirable step to be taken is to break up one of the vicious features of seasonal industry by providing for as much continuity of employment as is practicable. The manufacturers express their belief that a reduction in wages at this time will of itself greatly stimulate trade and insure to the workers a reasonable amount of continuity with its accompanying larger annual earnings. We believe that the reduction in wages decided upon will be of itself sufficient to tend toward this result, but we do not feel that this will be of itself sufficient or that the risk should be thrown entirely upon the workers. We, therefore, believe that the time has come when the regular workers in the industry are entitled to a guaranteed minimum period of work or compensation for the lack of it. Such guaranty is a proper and necessary burden on the industry, an obligation which the manufacturers of Cleveland have always recognized. It is all the more desirable and justified in this industry in Cleveland because the workers have for the past year contributed their full share, at heavy expense to the Union, to the creation and establishment of standards of production.

Under these circumstances we are of the opinion that the regular workers in each shop should be guaranteed twenty weeks of work

[1] Taken with permission from *Decision of the Board of Referees* (April 22, 1921), pp. 3–4. Reaffirmed December 24, 1921.

in each half year and one week of vacation a year with pay. Failure to live up to the guaranty shall entitle the worker during the period in default to a sum equal to two-thirds his minimum weekly wage, with a limitation, however, of the employers' liability to 7½ per cent of his direct labor cost for the guaranty period.

The seasonal character of the industry we believe requires this division of the year into two periods of six months each. At this time we set the first six months' period as June 1st to December 1st. For that period the guaranty will be twenty weeks of work. That is to say, if any regular workers in any shop who does not voluntarily leave or is not discharged for good cause, shall not be given opportunity to work for a period of at least twenty weeks between the 1st of June, 1921, and the 1st of December, 1921, then for so much time as shall represent the difference between the working time and such twenty weeks, there shall be paid to the worker for each week and pro rata for each part of the week, two-thirds of his minimum weekly wage, insofar as the fund in the shop as hereinabove limited will enable this to be done; regulations for some method of pro-rating between workers in the shop to be hereafter fixed as hereinafter provided. Provisions for a week's vacation with full minimum pay will be made under regulations to be established by the Impartial Chairman at the close of the first year under the guaranty system.

Each employer shall establish a guaranty fund by depositing with the Impartial Chairman each week a sum equal to 7½ per cent of his direct labor payroll for the week or shall furnish to the Impartial Chairman security acceptable to him for the enforcement of the guaranty up to the limit of his liability. All matters of detail in the pro-rating among employees and in the administration of the guaranty system to the same rights of appeal as are provided for in the Agreement, and he shall have custody and control of any funds or securities deposited for the enforcement of the guaranty.

Dated April 22, 1921

JULIAN MACK
SAMUEL J. ROSENSOHN
JOHN R. MCLANE, *Referees*
DOROTHY KENYON, *Secretary*

The following list shows the total amounts paid and "saved" by members of the Cleveland Garment Manufacturers' Association in the six-months employment guarantee period in 1921:

TABLE LXXXIII

Firm	Total 7½ Per Cent	Reported Amount Paid to Workers	Amount "Saved" by Firm
1	$ 2558.93	$ 54.64	$ 2504.29
2	138.86	138.86	.....
3	17469.50	.....	17469.50
4	2155.56	115.41	2040.15
5	1126.76	22.52	1104.24
6	3353.32	.....	3353.32
7	3722.35	578.67	3143.68
8	2658.04	2658.04	.....
9	1263.34	1203.35	59.99
10	1604.20	1458.35	35.85
11	2375.51	1935.75	439.76
12	2103.80	1879.05	224.75
13	4666.18	1226.16	3440.02
14	2151.23	2151.18	.05
15	7085.25	15.82	7069.43
16	929.78	929.78	.....
17	6436.04	3771.01	2665.03
18	959.68	186.23	773.45
19	1557.59	.....	1557.59
20	2138.53	1945.70	192.83
21	407.68	205.98	201.70
22	1358.64	404.87	953.77
23	1425.20	499.85	625.35
24	1595.88	1491.08	104.80
25	1367.13	1036.77	330.36
26	1325.29	447.81	877.48
27	1349.64	.....	1349.64
28	2008.18	351.20	1656.98
29	2691.81	387.00	2304.81
30	4992.83	2191.95	2800.88
31	5954.46	3831.33	2123.13
32	1481.61	998.05	483.56
33	861.60	.....	861.60
Totals	$93,274.40	$32,526.41	$60,747.99

PROBLEMS

1. What do you understand the term "unemployed" to mean? Is a worker unemployed if he is out of work because he is (*a*) too lazy to work, (*b*) not offered a job paying as much as he desires, (*c*) unaccustomed to perform the kind of work which is available?
2. "A definition should always be made with a point of view in mind." Granted, how might a point of view affect the definition of such a term as "unemployed"?
3. Distinguish between "the unemployed" and "the unemployable."
4. What conclusions do you gather from the statistics upon unemployment given at the beginning of this chapter?

5. "A good man can always find a job." Do you agree?
6. Does large-scale production tend to increase the risks of unemployment? Why or why not?
7. Do not the policies of labor unions cause unemployment? Justify your answer.
8. "The problem of unemployment is the problem of adjusting the supply of labor and the demand for labor." Comment.
9. Woman and child labor is often spoken of as the cause of unemployment among men? Do you agree?
10. "Unemployment is due to ignorance." Why or why not?
11. "Our standard of living is too inelastic. If men were willing to accept fluctuating wages, there would be little or no unemployment." Discuss.
12. "Labor-saving machinery produces unemployment." Discuss.
13. "Control of population is the keynote to the solution of the problems of unemployment." Explain and criticize.
14. "The fluctuation in the price and purchasing power of money is the greatest of all labor problems." Discuss.
15. "Restriction of output, shortening of the normal work day, and regulation of overtime are three policies of organized labor which find their justification in the fact of unemployment." Are these valid devices?
16. "The 'make work' and 'lump of labor' philosophy find their rootage in unemployment." What are these philosophies? How do you account for them?
17. "Unemployment turns workers who are capable and willing into men who are neither capable nor willing to hold a steady job if they could get one."
18. "Unemployment is the cause of inefficiency." "Inefficiency is the cause of unemployment." Which statement is true?
19. "Unemployment involves not only a lessened income but is definitely related to (1) the destruction of the worker's efficiency, (2) the entrance of women into industry, (3) removal of children from school, (4) industrial and political unrest, and (5) social demoralization." Give content to each of these factors.
20. Name some of the social and economic conditions responsible for the appearance of the casual laborer. Has he any parallel in other economic systems?
21. "Large hosts of workers will always be casually employed but what of it? Your doctor and dentist are casually employed." Criticize.
22. What influence have the unemployed at the gate upon the wages of those at work?
23. "Fear of unemployment causes men to work." "Fear of unemployment causes men to loaf." Which statement is true?
24. Why shouldn't the worker pay his own unemployment insurance just as he pays his life insurance?

25. "Society owes me a living." Comment. How far is society under an obligation to a worker who is willing but cannot find work because of (*a*) ignorance, (*b*) old age, (*c*) illness, (*d*) laziness, (*e*) accident?
26. Would not more elasticity in working hours help absorb the unemployed in critical periods? Why does not such elasticity exist?
27. "Unemployment is a matter of credit. Control the granting of credit by the banks and unemployment will largely cease as a problem." Comment.
28. "Unemployment can be controlled to a great extent by evolving proper marketing methods. Advertising in particular has a place in any discussion upon this subject." Indicate how this might be true in a given case.
29. "If the national, state, and local governments would plan public improvements far enough in advance, opportunities for workers could be opened up at critical periods thereby greatly reducing unemployment." Is this feasible?
30. Just how would a centralized labor market help or tend to help reduce the existing amount of unemployment? If some of the unemployed are thereby employed all the time, will not some others be unemployed all the time?
31. If a reserve of labor is necessary to the modern business manager should he meet the cost of that reserve in the first place by paying unemployment benefits to carry the reserve along?
32. Should each individual industry be forced to support all of the laborers and labor reserves that are used in its work during periods of unemployment? Why or why not?
33. What do you think of the suggestion that the employer shall be forced to assume the obligation of paying $1.00 per day for 13 weeks to all workers hired by him and subsequently discharged because of lack of work?
34. "Society profits by the existence of a labor reserve and why shouldn't it meet the cost directly?" How?
35. The object of social insurance is not only to provide for unavoidable happenings which the individual is unable to bear but more especially to locate the costs of insurance so that those who have the power to prevent, for example, unemployment, will find it profitable to eliminate it." Granted, who possesses that power? the worker? the employer? society?
36. "Any system of unemployment insurance faces a serious difficulty when confronted with the conflict of capital and labor." Explain.
37. "Trade unions possess certain natural advantages in the field of unemployment insurance." What are they?
38. If employment insurance is paid to the non-workers, will not government employment bureaus be necessary to administer the funds, collect information, and determine whether workers are malingering? Discuss.

39. Are conditions in America as well suited to compulsory unemployment insurance as they are in England?
40. Doesn't the paying of accident, sickness, and unemployment insurance tend to promote laziness among uneducated people in that it seems to be giving something for nothing?
41. Does unemployment insurance from the standpoint of the laborer increase the disutility of work?
42. "Justice dictates that the *industry* which depends upon the workers to keep it alive, should take care of them when they are unemployed. That can be done only by the creation of a special fund for the payment of unemployment wages, no gift and no alms, but wages from *the industry* to the worker. It is our opinion that such a fund should be created by the weekly payment by the *employers* of a given percentage of the pay-roll of *our members*, which shall not be deducted from the pay-roll but paid into the fund in addition to the pay-roll." Comment.
43. "I do not want to see an unemployment insurance law, modeled after the British Act, enacted in this country. It is very clear to me that industry should be made as nearly self-supporting as possible. . . . . It would be very simple to put the money costs of unemployment upon industries. The premium rate would be lowest for the most stable industries and highest for those in which employment is regularly irregular." Discuss.

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PART FIVE

THE WORKER'S APPROACH TO HIS PROBLEMS

INTRODUCTION

This part discusses the principal organized methods by which workers attempt to cope with their problems—as producers, by trades unions; as consumers, by co-operative societies; and as voters, by political action. All three forms of activity are much more highly developed in England than in this country. In the United States, trade unionism is by far the most important of the three, although there are indications that co-operation and political action will assume, in the near future, considerable importance.

The chapters on Trade Unions open with some short statements giving some of the reasons why men join unions. If we were to trace all the motives at work, we should have to multiply these selections many fold. Following this is a historical section tracing the main trend of organization since its inception in this country, only slightly over a century ago. If the space devoted exclusively to the American Federation of Labor seems meager, it should be noted that most of the remaining selections in the section on unionism deal either with it or with its component unions. The chapters on union structure and policies comprise the major portion of this division and are the most important. Most of the issues that arise in the organization and conduct of union activities are presented in some detail. On all controversial questions, several differing points of view are given in order that the student may know the beliefs of the various groups together with the reasons why they are held and from these form an intelligent and independent opinion of his own.

CHAPTER XVIII

AMERICAN TRADE UNIONISM: CAUSES AND HISTORY

A. Reasons for the Existence of Unions

1. THE ECONOMIC PROTECTION AFFORDED THE WORKERS BY UNIONISM[1]

The average wage earner has made up his mind that he must remain a wage earner. He has given up the hope of a kingdom to come, where he himself will be a capitalist, and he asks that the reward for his work be given to him as a workingman. Singly, he has been too weak to enforce his just demands and he has sought strength in union and has associated himself into labor organizations.

In its fundamental principle trade unionism is plain and clear and simple. Trade unionism starts from the recognition of the fact that under normal conditions the individual, unorganized workman cannot bargain advantageously with the employer for the sale of his labor. Since the workingman has no money in reserve and must sell his labor immediately, since, moreover, he has no knowledge of the market and no skill in bargaining, since, finally, he has only his own labor to sell, while the employer engages hundreds or thousands of men and can easily do without the services of any particular individual, the workingman, if bargaining on his own account and for himself alone, is at an enormous disadvantage. The "individual bargain," or individual contract, between employers and men means that the condition of the worst and lowest man in the industry will be that which the best man must accept. From first to last, from beginning to end, always and everywhere, trade unionism stands unalterably opposed to the individual contract. It is this principle, the absolute and complete prohibition of contracts between employers and individual men, upon which trade unionism is founded.

To find a substitute for the individual bargain, which destroys the welfare and the happiness of the whole working class, trade unions were founded. A trade union, in its usual form, is an association of workmen who have agreed among themselves not to bargain indi-

[1] Adapted with permission from John Mitchell, *Organized Labor*, pp. ix-11. (American Book and Bible House, 1903.)

vidually with their employer or employers, but to agree to the terms of a collective or joint contract between the employer and the union. The fundamental reason for the existence of the trade union is that by it and through it, workmen are enabled to deal collectively with their employers. The difference between the individual and the collective or joint bargain is simply this, that in the individual contract or bargain one man of a hundred refuses to accept work, and the employer retains the services of ninety and nine; whereas in the collective bargain the hundred employees act in a body, and the employer retains or discharges all simultaneously and upon the same terms. The ideal of trade unionism is to combine in one organization all the men employed, or capable of being employed, at a given trade, and to demand and secure for each and all of them a definite minimum standard of wages, hours, and conditions of work.

Trade unionism thus recognizes that the destruction of the workingman is the individual bargain, and the salvation of the workingman is the joint, united, or collective bargain. To carry out a joint bargain, however, it is necessary to establish a minimum of wages and conditions which will apply to all. By this is not meant that the wages of all shall be the same, but merely that equal pay shall be given for equal work. There cannot be more than one minimum in a given trade, in a given place, at a given time. If the bricklayers of the city of New York were all organized and the union permitted half of its members to work for forty cents an hour, while the other half, in no wise better workmen, were compelled or led to ask for fifty cents, the result would be that the men receiving fifty cents would be obliged either to lower their wages or get out of the trade. To secure to any union man fifty cents an hour, all union men of equal skill must demand at least an equal sum. The man who wants fifty cents an hour is not injured by other unionists asking or getting ten or twenty cents in excess of this minimum, but he is injured by fellow-craftsmen accepting any wage less than the minimum. The same rule of collective bargaining applies to the hours of labor. If all union bricklayers in New York City were to receive four dollars a day and some were, for this pay, to work eight hours, others ten, and still others twelve and fifteen hours, the result would be that the employers would by preference employ the men who were willing to work fifteen hours. As a consequence, the men willing to work only eight or ten hours would lose their positions or would be obliged either to reduce their wages or work as long as their competitors who were employed for

twelve or fifteen hours. What is true of wages and of hours of labor is equally true of all the conditions of work. If the trade union did not insist upon enforcing common rules providing for equal pay for equal work and definite conditions of safety and health for all workers in the trade, the result would be that all pretense of a joint bargain would disappear, and the employers would be free constantly to make individual contracts with the various members of the union. The trade union does not stand for equal earnings of all workmen. It does not object to one man's earning twice as much as the man working by his side, provided both men have equal rates of pay, equal hours of work, equal opportunities of securing work, and equal conditions of employment. The union does not object to an employer's rewarding especially efficient workers, or even favored workers, by paying them more than the union scale, or granting them shorter hours than provided for by the joint agreement. What the union does stand for is merely equal rates of pay—equal pay for equal work; and while it will allow a man to receive twice as much as his fellow-craftsmen, it will not permit him to do so by underbidding them in wages or by working under less favorable conditions or for longer hours. Neither does the union oppose competition among unionists for positions, although it demands that this competition be solely upon the basis of efficiency and not upon that of reduced wages, lengthened hours, or any abatement from the conditions fixed by the collective bargain.

Whether the union demand a higher standard of healthfulness, comfort, or decency in the factories, or a greater degree of protection from machinery, or any other concession ministering to the health or safety of the employee, the demand is always in the form of a certain minimum for all workers.

The recognition of the union is nothing more nor less than the recognition of the principle for which trade unionism stands, the right to bargain collectively and to insist upon a common standard as a minimum. Workingmen have a nominal, but not a real freedom of contract, if they are prevented from contracting collectively instead of individually. The welfare of the working classes, as of society, depends upon the recognition of this principle of the right of employees to contract collectively. An employer, be he ever so well-meaning, stands in the way of future progress if he insist upon dealing with his workmen "as individuals." While in his establishment wages may not by this means be reduced, owing to the fact that

other establishments are organized, still the principle for which he stands, if universally adopted, would mean the degradation and impoverishment of the working classes. There are many employers who surrender the principle of the individual bargain without accepting the principle of the collective bargain. These employers state that they do not insist upon dealing with their employees as individuals, but that they must retain the right of dealing with "their own employees solely," and that they must not be forced to permit a man who is not their own employee to interfere in their business. The right to bargain collectively, however, or to take any other concerted action, necessarily involves the right to representation. Experience and reason both show that a man, even if otherwise qualified, who is dependent upon the good will of an employer, is in no position to negotiate with him, since an insistence upon what he considers to be the rights of the men represented by him may mean his dismissal or, at all events, the loss of the favor of his employer. Not only should workingmen have the right of contracting collectively, but they should also have the right of being represented by whomsoever they wish. The denial of the right of representation is tyranny. Without the right to choose their representative, the men cannot enjoy the full benefit of collective bargaining. To avoid this calamity and to raise the working classes to a high state of efficiency and a high standard of citizenship, the organized workmen demand and insist upon "the recognition of the union."

2. A FUNCTIONAL CLASSIFICATION OF TRADES UNIONS[1]

There are in the United States today hundreds of union organizations, each practically independent or sovereign and each with its own and often peculiar aims, policies, demands, methods, attitudes, and internal regulations. Nor is there any visible or tangible bond that unites these organizations into a single whole, however tenuous. Groups there are indeed with overstructures and declared common aims and methods. But group combats group with the bitterness that can arise only out of the widest diversity of ideals and methods.

A slight acquaintance with the history of organized labor shows that this situation is not unique and at the same time furnishes the apparent clues to its explanation. It reveals the fact that unionism

[1] Adapted with permission from Robert F. Hoxie, "Trade Unionism in the United States, General Character and Types," *Journal of Political Economy*, XXII (1914), 203–4, 212–16.

has not a single genesis, but that it has made its appearance, time after time, independently, wherever in the modern industrial era a group of workers, large or small, has developed a strong, internal consciousness of common interests. It shows, moreover, that each union and each union group has undergone a constant process of change or development, functionally and structurally responding apparently to the group psychology and therefore to the changing conditions, needs and problems, of its membership. In short, it reveals trade unionism as above all else essentially an opportunistic; a pragmatic phenomenon.

For if the history of unionism seems to admit of any positive generalizations they are that unionists have been prone to act first and to formulate theories afterward and that they have acted habitually to meet the problems thrust upon them by immediate circumstances. Everywhere they have done the thing which under the particular circumstances has seemed most likely to produce results immediately desired. Modes of action which have failed when measured by this standard have been rejected and other means sought. Methods that have worked have been preserved and extended, the standards of judgment being always most largely the needs and experiences of the group concerned. So that prevailingly, whatever theory unionists have possessed has been in the nature of group generalization slowly developed on the basis of concrete experience.

In making these statements it is not intended to imply that general economic, political, and social theories have not played a part in the genesis of unions or in the molding of their function and structure. Nor is it intended to deny that some unions have been formed and dominated by individuals and small groups of leaders. Idealism has frequently been a genetic and formative force in union history, and the autocrat has played an important rôle in union affairs. But apparently history warrants the general statements that unions, and especially unions that have lived and worked, have arisen mainly in direct response to the immediate needs and problems of specific working groups, and that they have developed characteristically by the trial-and-error method.

The first and perhaps most clearly recognizable functional type may be termed *business unionism*. Business unionism appears most characteristically in the programs of local and national craft and compound craft organizations. It is essentially trade-conscious rather than class-conscious. That is to say, it expresses the viewpoint and interests of the workers in a craft or industry rather than those of the working class as a whole. It aims chiefly at more here and now for the organized workers of the craft or industry, in terms mainly of higher wages, shorter hours, and better working conditions, regardless for the most part of the welfare of the workers outside the particular organic group, and regardless in general of political and social considerations except in so far as these bear directly upon its own economic ends. It is conservative in the sense that it professes belief in natural rights and accepts as inevitable, if not as just, the existing capitalistic organization and the wage system as well. It regards unionism mainly as a bargaining institution and seeks its ends chiefly through collective bargaining supported by such methods as experience from time to time indicates to be effective in sustaining and increasing its bargaining power. Thus it is likely to be exclusive, that is, to limit its membership by means of the apprenticeship system and high initiation fees and dues, to the more skilled workers in the craft or industry or even to a portion of these; though it may, where immediate circumstances dictate, favor a broadly inclusive policy—when, for example, the unregulated competition of the unorganized and unskilled seriously threatens to sweep aside the trade barriers and break down the standards of wages, hours, and shop conditions which it has erected. Under these circumstances it tends to develop a broad altruism and to seek the organiztion of all the workers in the craft or industry. In harmony with its business character, it tends to emphasize discipline within the organization and is prone to develop strong leadership and to become somewhat autocratic in government, though government and leaders alike are ordinarily held pretty strictly accountable to the pragmatic test. When they fail to "deliver the goods" both are likely to be swept aside by a democratic uprising of the rank and file. In method, business unionism is prevailingly temperate and economic. It favors voluntary arbitration, deprecates strikes, and avoids political action, but it will refuse arbitration and resort to strikes and politics when such action seems best calculated to support its bargaining efforts and increase its bargaining power. This type of unionism is best represented perhaps in the programs of the railway brotherhoods, though these organizations, as we shall see later, present some characteristics of a vitally different nature.

The second union functional type seems best designated by the terms *friendly* or *uplift unionism*. Uplift unionism, as its name indicates, is characteristically idealistic in its viewpoint. It may

be trade-conscious, or broadly class-conscious, and at times even claims to think and act in the interest of society as a whole. Essentially it is conservative and law-abiding. It aspires chiefly to elevate the moral, intellectual, and social life of the worker, to improve the conditions under which he works, to raise his material standards of living, give him a sense of personal worth and dignity, secure for him the leisure for culture, and insure him and his family against the loss of a decent livelihood by reason of unemployment, accident, disease, or old age. Uplift unionism varies greatly in degree of inclusiveness and in form of government, but the tendency seems to be toward the greatest practicable degree of mutuality and democracy. In method, this type of unionism employs collective bargaining but stresses mutual insurance, and drifts easily into political action and the advocacy of co-operative enterprises, profit sharing, and other idealistic plans for social regeneration. The nearest approach in practice to uplift unionism is perhaps to be found in the program of the Knights of Labor, though that organization has varied in many respects from the strict type.

As a third distinct functional type, we have what most appropriately may be called *revolutionary unionism*. Revolutionary unionism, as the term implies, is extremely radical both in viewpoint and in action. It is distinctly class-conscious rather than trade-conscious. That is to say, it asserts the complete harmony of interests of all wage workers as against the representatives of the employing class and seeks to unite the former, skilled and unskilled, together, into one homogeneous fighting organization. It repudiates, or tends to repudiate, the existing institutional order and especially individual ownership of productive means and the wage system. It looks upon the prevailing codes of right and rights, moral and legal, as in general fabrications of the employing class designed to secure the subjection and to further the exploitation of the workers. In government it aspires to be democratic, striving to make literal application of the phrase *vox populi, vox Dei*. In method, it looks askance at collective bargaining and mutual insurance as making for conservatism and hampering the free and united action of the workers.

Of this revolutionary type of unionism there are apparently two distinct varieties. The first finds its ultimate ideal in the socialistic state and its ultimate means in invoking class political action. For the present it does not entirely repudiate collective bargaining or the binding force of contract, but it regards these as temporary expedients.

It would not now amalgamate unionist and socialist organizations but would have them practically identical in membership and entirely harmonious in action. In short, it looks upon unionism and socialism as the two wings of the working-class movement. The second variety or revolutionary unionism repudiates altogether socialism, political action, collective bargaining, and contract.

Socialism is to it but another form of oppression; political action, a practical delusion; collective bargaining and contract, schemes of the oppressor for preventing the united and immediate action of the workers. It looks forward to a society based upon free industrial association and finds its legitimate means in agitation rather than in methods which look to immediate betterment. Direct action and sabotage are its accredited weapons, and violence its habitual resort. These varieties of the revolutionary type may be termed respectively *socialistic* and *quasi-anarchistic unionism*. The former is perhaps most nearly represented in the United States by the Western Federation of Miners, the latter by the Industrial Workers of the World.

Finally in the union complex it seems possible to distinguish a mode of action sufficiently definite in its character and genesis to warrant the designation *predatory unionism*. This type, if it be truly such, cannot be set apart on the basis of any ultimate social ideals or theory. It may be essentially conservative or radical, trade-conscious or class-conscious. It appears to aim solely at immediate ends, and its methods are wholly pragmatic. In short, its distinguishing characteristic is the ruthless pursuit of the thing in hand by whatever means seems most appropriate at the time, regardless of ethical and legal codes or the effect upon those outside its own membership. It may employ business, friendly, or revolutionary methods. Generally its operations are secret and apparently it sticks at nothing.

Of this assumed union type also there appear to be two varieties. The first may be termed *hold-up unionism*. This variety is usually to be found in large industrial centers masquerading as business unionism. In outward appearance it is conservative; it professes a belief in harmony of interests between employer and employee; it claims to respect the force of contract; it operates openly through collective bargaining and professes regard for law and order. In reality it has no abiding principles and no real concern for the rights or welfare of outsiders. Prevailingly it is exclusive and monopolistic. Generally it is boss-ridden and corrupt, the membership for the most part being content to follow blindly the instructions of the leaders so

long as they "deliver the goods." Frequently it enters with the employers of the group into a double-sided monopoly intended to eliminate both capitalistic and labor competition and to squeeze the consuming public. With the favored employers it bargains not only for the sale of its labor but for the destruction of the business of rival employers and the exclusion of rival workmen from the craft or industry. This variety of unionism has been exemplified most frequently among the building trades organizations under the leadership of men like the late notorious "Skinny" Madden.

The second variety of predatory labor organization may be called, for want of a better name, *guerilla unionism*. This variety resembles the first in the absence of fixed principles and in the ruthless pursuit of immediate ends by means of secret and violent methods. It is to be distinguished from hold-up unionism, however, by the fact that it operates always directly against its employers, never in combination with them, and that it cannot be bought off. It is secret, violent, and ruthless, seemingly because it despairs of attaining what it considers to be legitimate ends by business uplift, or revolutionary methods. This union variant has been illustrated recently in the campaign of destruction carried on by the Bridge and Structural Iron Workers.

[NOTE: Mr. Hoxie later added a fifth functional type—dependent unionism. Some of these unions were dependent upon other unions for support, notably those supported by the union label. Some were dependent upon the employers and were really fostered by them.—ED.]

B. Historical Development of Unionism in the United States[1]

3. GENERAL FORCES AT WORK IN THE DEVELOPMENT OF TRADES UNIONS[2]

The condition which seems to distinguish most clearly the history of labour in America from its history in other countries is the wide expanse of free land. As long as the poor and industrious can escape from the conditions which render them subject to other classes, so long do they refrain from that aggression on the property rights or political power of others, which is the symptom of a "labour movement."

[1] [NOTE: The material of this section should be studied in close correlation with that of chapters v and vi.—ED.]

[2] Adapted with permission from John R. Commons and associates, *History of Labour in the United States*, I, 3–19. (The Macmillan Co., 1921.)

But even here we are likely to ascribe to the bounty of nature what proceeds from the struggle of classes. Nature, in the physical sense, has been as bountiful to the poor and industrious of Australia in proportion to their numbers, as it has been in America. But how different the outcome! In Australia the land has been locked up in great holdings, and labourers have been forced to fight the battles of organization in the cities and on the ranches, rather than escape as individuals to lands that are free. Thus trade unionism, socialistic politics, governmental coercion of employers, a parliament dominated by a labour party, characterize the labour movement of Australasia.

America, under the constitution of 1787, started off with a similar seizure of its western lands by speculators and slave owners. The masses of the people gradually awakened, then resisted, finally revolted, and a political struggle of half a century over the land laws ended in a Civil War, with its homestead law. The struggle was renewed when the railroad land grants of the Civil War brought back again in a new form the seizure by speculators, and again was renewed under the name of "conservation of natural resources." Free land was not a mere bounty of nature; it was won in the battle of labour against monopoly and slavery.

The vast area of the United States, coupled with free trade within that area and a spreading network of transportation, has developed an unparalleled extension of the competitive area of markets, and thereby has strikingly distinguished American movements from those of other countries. For, it is not so much the mechanical inventions and the growth of industrial technique, that have given character to American industrial movements, as it is the development and concentration of bargaining power over immense areas. In practically the entire colonial period, the interests of the small merchant, employer, and journeyman were identical, and so far as they formed organizations included, often in the same individual, all of the economic functions of wage-earning, price-fixing, and profit-making.

It was not until after the constitution of 1787, and its levelling down of the market barriers which each colony had erected against the others, that a new stage began to appear with its wholesale markets, its credit system, and its creation of the merchant-capitalist. The distinction between the employer and the wage-earner at the time was not so much the amount of his income or his possession of capital, as the contingent and speculative character of his income. His profit was the margin between the prices he paid for labour and the prices he received for his product. The wage-earner, on the other hand,

received a stipulated income for his physical exertion. The prices received by the contractor or employer were at the mercy of the merchant-capitalist and his main source of profit was his ability to reduce the prices which he paid for labour. This "sweated" condition, produced by the widening of the labour market and seen most clearly in the decade of the thirties, drove the wage-earner as such to his first conscious union with competing labourers in defence against the master-workman who had now become the "boss." This was the signal for the break-up of the guild-like industrial stage which united master, journeyman and apprentice, and the substitution of the trade union of journeymen and the employers' union of masters, each contending for control of the apprentice. Different trades experience this break-up at different periods, and belated trades repeat the industrial history of older ones. Even today, we often find, in so-called trade unions supplying a narrow local market with small investments in tools, like teamsters and musicians, what is really a guild of masters, owners and wage-earners.

Not until the nation had become a single market did the strictly modern movement, similar to that of older nations, take form and animus. While economic forces have widened competitive areas to the limits of the nation, a system of government by states has covered these areas by widely divergent laws and administration. At the same time, the courts, blocking the way of a new aggressive class with precedents created to protect a dominant class, have had, in this country, a high authority unknown in other lands. By vetoing the laws which labour in its political struggles has been able to secure, the courts, joined with divergent state policies, have excluded or delayed labour from legislative influence. Consequently the energies of organization are turned to the economic field.

While the area of market competition has extended more widely than in other countries, the level of prices and wages across this area has arisen and fallen more excessively. Cycles of prosperity and depression have characterized all lands during the expansion of industry and credit in the nineteenth century, but the American cycles have touched higher peaks and lower depths. To the speculative character of American credit have been added the vagaries of paper money. The two peaks of paper money, in the thirties and sixties, indicate two periods of excited, aggressive organization, forced up in advance of their time, if measured only by industrial evolution. In these and other periods of rising prices, when the cost of living was

outleaping the rise of wages, when business was prosperous and labour in demand, then aggressive strikes, trade unionism, class struggle, suddenly spread over the industrial sections of the country. At the other extreme, in the periods of falling prices, with their depression of business and distress by unemployment, labour, in its helplessness and failure of defensive strikes, has turned to politics, panaceas, or schemes of universal reform, while class struggle has dissolved in humanitarianism.

It is by viewing the broad perspective of these various forces that we are able to distinguish separate historical periods. The colonial, or dormant, period extends properly to the decade of the twenties. But in the thirties the public was suddenly awakened, and a new term, *trades' union*, appeared. Here appears the first newspaper published in their interest, and a study of the period shows the first painful efforts of wage-earners to extricate themselves both from the existing political parties and from the guild-like organizations which their employers controlled. The legislative measures which they put forward were not so much the trade union measures of the later decades of the century, as those individualistic measures which assert the *rights of persons* against the *rights of property*. Free education supported by taxes on property, mechanics' liens on property in order to secure the wage-earner as a creditor, prohibition of seizure for debt by the capitalist creditor of the body of the propertyless debtor, followed in the next decade by the actual exemption of wages and tools from execution for the wage-earners' debt—these were the new jurisprudence by which, for the first time in the modern world, manhood suffrage created personal rights superior to property rights. Slow-moving as were these legislative reforms and beneficial as they might be to later generations, the wage-earners of the thirties soon forgot them in their trades' union effort of 1835 and 1836 to force wages up with the cost of living.

The panic of 1837 brought to a sudden stop these aggressions, and, for the next dozen years we find the most astonishing junction of humanitarianism, bizarre reforms and utopias, protective tariffs and futile labour legislation, known to our history.[1] Swallowed, as these were, in the rising prices of the gold discoveries and in the anti-slavery agitation, which approached its crisis in the early fifties, this *human-*

[1] [NOTE: Trade-unions, particularly in the latter part of the forties and early fifties, were not as absent as Professor Commons implies. See L. S. Ware's forthcoming book, *The Labour Movement 1840-1860*.—ED.]

itarian period slipped away into a second trade union period of the middle of the decade of the fifties, scarcely noticed beneath the absorbing premonitions of civil war.

The *nationalization* period, from the War to the end of the seventies, repeats on a bigger scale of prosperity and depression and a wider area of competition the events of the thirties. During the sixties the railroads, paper money and mechanical invention join together to throw up agitated organizations, notably the National Labor Union, a federation of local, state, and national trade associations whose membership at its height was reported as over 600,000, and then, during the succeeding depression following 1873, to throw back their constituents into disorganization, secret unions, or criminal aggression.

This agitational period of the sixties and seventies pointed to what, during the halting prosperity of the eighties, may be truly designated as the *Great Upheaval*. For, never before had organization reached out so widely or deeply. New areas of competition, new races and nationalities, new masses of the unskilled, new recruits from the skilled and semi-skilled, were lifted up temporarily into what appeared to be an organization, but was more nearly a procession, so rapidly did the membership change. With three-fourths of a million members on the books of the Knights of Labour at the height of its power, a million or more passed into and soon out from its assemblies. Finally is a more constructive period slowly developing before us. Withdrawing from the weaker elements of unskilled and semi-skilled, the skilled trades began building up stable and nation-wide organizations, and winning such recognition from employers' associations that they were able to establish more or less enduring systems of trade agreement, and to retain their membership during a period of depression. At the same time, the recurring problem of the unskilled is again threatening an upheaval.

These several historical periods have produced, not only characteristic movements but also characteristic arguments. Thus the arguments and pleas for a reduction of hours of labour started off with the citizenship view of securing more leisure; then came the humanitarian horror of helpless exhaustion; then in the fifties, the older trade union philosophy of making work; then in the sixties, the newer trade union philosophy of the standard of living; then the opportunistic bargaining of the trade agreement; finally the philosophy of the police power of the state based on the actual facts of the degree of menace to health.

As long as the wage-earning class accepts the existing order and merely attempts to secure better wage bargains, its goal must eventually be some form of the "trade agreement," which recognizes the equal bargaining rights of the organized employers. Its union is not "class conscious" in the revolutionary sense of socialism, but "wage-conscious" in the sense of separation from, but partnership with, the employing class. On the other hand, in recent times, a revolutionary unionism has appeared, seeking by means of the strike of all employees regardless of trade differences, by the rejection both of politics and agreements with employers, and by concerted damage to the employers' property, to overthrow the capitalist. Taking the name "syndicalism" from the French for "unionism," it indicates the same split in trade unionism as that which in the seventies separated out anarchism from socialism. Syndicalism is "class conscious" unionism, rather than "wage conscious," its object is revolution rather than the existing order, conquest rather than trade agreement, and, at the same time, anarchism rather than socialism. Back and forth between the socialistic and anarchistic doctrines has the labour movement swung, according to periods, conditions, and leaders. Political movements, too, have changed in character, and with them the significance of the word politics. They differ from trade unionism in that, under the system of majority elections, they usually require coalition with other classes, whereas a union can act independently as a minority, without the consent of others. The first attempt to form a "labour party" in the early thirties resulted rather in a party of the "producing classes" as against the "aristocracy" or capitalist classes. It was not until the trades' unions of the middle thirties and their rejection of politics that wage-earners as a class separated themselves definitely in the larger cities from their employers. The political movements that followed were again mainly coalitions with the farmers, and only as the various socialist parties began to rise after the sixties, did politics take on a strictly wage-earning form. Meanwhile, from time to time, a kind of trade union politics appeared, not revolutionary in the socialistic sense, but directed to the narrower object of relieving unions from the pressure of legislatures and courts controlled by hostile employers. In this way political movements have reflected the evolution of classes and policies, ranging all the way from the individualistic politics of small capitalists or wage-earners seeking to become capitalists, to the opportunistic politics of trade unions and the revolutionary politics of socialism or anarchism.

4. THE KNIGHTS OF LABOR

a) ORIGIN OF KNIGHTS OF LABOR[1]

The tailors of Philadelphia had had a strong organization. The cheap work by which government contracts had been filled for army supplies had undermined the standards of the trade and the Garment Cutters Union was losing ground. When the final vote had been taken which accomplished the dissolution of the union, some of the more far-sighted members immediately took up plans for a better type of unionism. The leader of this group was Uriah S. Stevens, who became the founder of the new society. In 1869 the new relations were assumed and in 1871 the name, the Noble Order of the Knights of Labor, was adopted. The membership was at first limited to tailors. Soon others were admitted as associate members and after they became familiar with the aims were permitted to organize new societies among their respective trades. These were known as assemblies. The parent assembly became Assembly No. 1 and the others were numbered serially. Before the end of 1873 there had been formed eighty assemblies in various trades, some in territory outside of Philadelphia and by the close of 1876 there were over one hundred.

When five assemblies had been formed it appeared necessary to have some authority uniting them. At first there was established a Committee on the good of the Order made up of three from each local. Assembly No. 1 retained its prestige and was practically the center of influence and authority. By 1873 this temporary committee gave way to a delegated body known as the District Assembly. With the increase of local assemblies, other district assemblies were formed designated numerically, as were the locals. The parent local of which Stevens was the Master Workman together with the other early ones formed District Assembly No. 1 with Stevens at its head. The increase of district assemblies led to the establishment of a national union. In 1878 this was consummated in a General Assembly with delegates from seven states representing fifteen trades. Stevens was chosen first Grand Master Workman. The year following delegates assembled from thirteen states. After that time conventions were held annually. Thus the new society grew on its organization side. Its membership increased with unparalleled rapidity. By 1883 the membership stood at 52,000.

[1] Adapted with permission from G. G. Groat, *An Introduction to the Study of Organized Labor in America*, pp. 78–81. (The Macmillan Co., 1917.)

Its form.—The local assemblies constituted the organization. These locals were composed sometimes of one trade and sometimes of several. It was not, strictly speaking, a trade society. The earlier locals were usually of a single trade while the ones formed later were more generally mixed. There were some instances of locals composed entirely of women, though it was not till 1881 that women were admitted to membership. The membership was made up generally of wage earners, however. Skilled and unskilled alike were accepted. In 1886 a mixed assembly in Chicago had as its "Master Workman" a woman. Colored workmen were first organized in assemblies in 1883 and for a few years this class of membership increased rapidly. A later regulation declared that at least three-fourths of the membership of new locals must be of the wage-earning class. The membership, open as it was, was not without limitation. The age limit was sixteen for unions already established but for new locals the membership must be entirely of those over eighteen years of age. A further restriction appears in the following section of the constitution of locals. "No person who either sells or makes a living, or any part of it, by the sale of intoxicating drink, either as manufacturer, dealer or agent, or through any member of the family, can be admitted to membership in this order, and no lawyer, banker, professional gambler or stock broker can be admitted." Prior to 1881 physicians also were excluded.

The district assemblies were formed sometimes on the basis of trade groups and in other cases the geographical bond united them. The General Assembly is a delegate body representing the entire membership.

The policy of the strike prevailed during the years between 1878 and 1883, after which opinion changed. The constitution governing local assemblies was modified. "Strikes should be avoided whenever possible. Strikes, at best, only afford temporary relief; and members should be educated to depend upon thorough organization, co-operation, and political action, and, through these, the abolishment of the wage system. Our mission cannot be accomplished in a day or a generation. *Agitation*, *education*, and *organization* are all necessary." In the establishment of an assistance fund the Order was particularly careful to guard against the use of this money for strikes. "We declare," read this section of the constitution, "that strikes are deplorable in their effect and contrary to the best interests of the order. . . . ." Thus was brought to an end the possibility of a

strike that had behind it the support of the Order as a whole. "We must teach our members that the remedy for the redress of wrongs we complain of does not lie in the suicidal strike; but it lies in thorough effective organization. Without organization we cannot accomplish anything; through it, we hope to forever banish that curse of modern civilization,—wage-slavery."

Probably no society has ever looked out upon a more brilliant future than did the Noble Order of the Knights of Labor as it completed its organization with the General Assembly at its head. Its aims were noble and its ideals high.

Its decline.—The decline in the influence of this society was no less striking than its rise. Within but a few years more than it had taken in building up its wide influence this had been lost, its membership declined, and though it still maintains its existence, it does so, to state it in the words of Professor Commons, as "a bushwhacking annoyance on the heels of its successor." One of the elements of weakness in the Knights was its dual organization in a trade. During the last quarter of the nineteenth century the trade assemblies were forming on national lines. The Knights recognized these as important and sought to incorporate them. In 1887 there were in the Order as many as twenty-two national trade assemblies. These existed side by side with the labor assemblies making a dual organization. This proved undoubtedly to be an element of weakness. From 1886, the year that registered the largest membership among the Knights, when over 700,000 members were enrolled, the decline in numbers and influence was steady. The causes for this have been stated in various forms and as of differing importance. They may be summed up as four in number: (1) The failure of expensive sympathetic strikes in which the Order became involved in spite of its professed disapproval of such acts in its later years. (2) Activity in political affairs. This was of course the result of experience and there was an abundance of precedent in favor of political action. It did not bring strength to the Order, however. (3) The presence of the two distinct forms of organization mentioned above, the mixed labor assembly and the national trade assembly. These proved to be factors that undermined rather than built up the strength of the Order. (4) The overcentralization of power in the hands of the general officers. The promoters of the first assembly guarded very jealously their leadership. They were the source of authority. This relation generated restlessness and suspicion in the place of strength.

b) THE KNIGHTS OF LABOR AND THE AMERICAN FEDERATION OF LABOR[1]

From its beginning the Knights of Labor developed along lines unmistakably opposed to the traditional principle of trade unionism, viz., trade autonomy. It placed in the hands of the General Assembly "full and final jurisdiction in all matters pertaining to the local and district assemblies." The district assembly in turn possessed power within its district "to decide all appeals and settle all controversies within or between local assemblies."

The Federation of Organized Trades and Labor Unions of the United States and Canada was formed in 1881. In the first congress of the new federation, the local assemblies of the Knights of Labor and the trade union were both represented, and it was understood that each should maintain its own organization and work in harmony with the other for the federation of all labor units. But when the respective positions of the two federations became more sharply defined, radical differences appeared. In principle there was no inherent antagonism, since the work of one might very well have supplemented that of the other, but in practice disagreements constantly arose.

The two organizations differed much in government and structure. The local assembly of the Knights had as its primary concern the interests common to all productive workers, and not the interests of a craft. The "mixed" assembly sought to gather into one association all branches of honorable toil, without regard to nationality, sex, creed, or color. This principle guided the organizers in their field work, and was largely responsible for the remarkable growth of the order in the next few years.

On the other hand, the primary unit in the system of organization upheld by the Federation of Labor was the local union, composed of artisans following a single vocation, and attached commonly to a national trade union. The founders of the Federation accepted the abstract principle of a common labor cause advanced by the Knights, but held that the mechanism through which the interest of all could best be promoted was the craft union. The opponents of the autonomous system claimed that the trade union seeks exclusive privileges in its particular field at the expense of those engaged in other branches of industry. Although these differences marked in general the broad

[1] Taken with permission from William Kirk, in *J. H. Hollander and G. E. Barnett*, "*Studies in American Trade Unionism*," pp. 354–80. (Henry Holt & Co.)

distinction between the two federations, in special cases they faded away. For instance, it was common to find a local assembly of the Knights of Labor composed exclusively of workmen of one trade wherever conditions were unfavorable to the mixed assembly. Similarly the organizers of the American Federation often found it necessary to form into one local union workers of miscellaneous crafts. "Federal Labor Unions," analogous in composition to the mixed assemblies of the Knights, were organized in those localities where numbers did not justify the existence of trade unions. As soon, however, as a sufficient number belonging to one craft was gathered together, a new local trade union recruited from the membership of the mixed union was formed. The trade local in turn joined the national union of its craft wherever the chance presented itself.

The difference noted in the primary divisions appeared to a larger extent in the federate grouping. The district assembly, comprising the local assemblies of the Knights of Labor in a given locality, corresponded structurally to the central labor union. Before the Knights of Labor movement, the life of these central organizations was ordinarily brief. After a stormy experience of personal jealousies, political affiliations, and trade jurisdiction disputes, such associations commonly fell apart. As the Knights of Labor grew, however, many of these weak central labor unions were reorganized as district assemblies with large powers.

As each organization persisted in its efforts to include all wage-earners, the circle of activity intersected, with the consequence of dual authority on the part of the federations and divided loyalty on the part of the individual members. The American Federation, from the beginning, resolutely opposed dual organization in any trade. It claimed that if an exception were made in favor of the Knights of Labor assemblies, a dangerous precedent would be established and the existence of trade autonomy imperiled. The Knights of Labor, on the other hand, having in mind the absolute control which the General Assembly had over all branches in case of dispute, were anxious to secure as members, persons already belonging to local and national trade unions. The Bricklayers' Union voiced the sentiment of the trade unionists: "We claim that any district assembly of Knights of Labor masons, in or near a locality where a branch of our organization exists, is a direct injury to the advancement of our craft, for we claim and demand that all men following a distinct calling having a national or international trades union in existence should be required to join the

order of his calling and no other." The disputed questions were discussed at repeated conferences, the American Federation adhering throughout to its original stand against dual affiliation. The American Federation of Labor promised in 1889 that should the Knights of Labor "discountenance and revoke the charters of all trade assemblies or districts within the Order, the Federation would agree to urge its members and all working people to become members of mixed assemblies of the Knights of Labor." The adoption of this plan would have given the national unions, affiliated with the Federation, complete control over their respective fields in all trade matters, and would have left to the local and district assemblies of the Knights of Labor the work of intellectual, social, and political improvement. In other words, the Knights of Labor, divested of all trade authority, would have become the central reform bureau of the labor movement. The Knights of Labor, however, refused to accept the terms proposed and the Federation decided at the annual convention of 1894: "No meeting or conference with the Knights of Labor officials shall be held until they declare against dual organization in any one trade."

The opposed principles of the two organizations met sharply in a single issue—the mutual recognition of working cards. The matter was vital to each organization. If the Federation did not recognize the mixed assemblies of the Knights as *bona fide* locals, then the members were not union men and could not work with union men in closed shops. On the other hand, if the working card of the Knights of Labor were respected by the trade unions, the Knights' members by that act gained status as union men, and the Federation practically lost its fight for trade autonomy. In 1886, the Knights of Labor proposed the mutual exchange and recognition of working cards—"the card of any member of the Order admitting him to work in any union shop, and the card of any union man admitting him to work in any Knights of Labor shop." The Federation of Labor refused.

The unfavorable attitude of the Federation meant little to the Knights in 1886 when the Order was strong and influential. With the growth of the trade union spirit within the Order and the corresponding decline of the mixed assembly, the question became more serious. No adjustment or compromise was ever reached.

From this review of the structural differences between the two federations, attention can now be turned to a comparison of their policies with respect to (*a*) the union label, (*b*) co-operation,

(*c*) strikes and boycotts, (*d*) the reduction in the length of the working day, (*e*) politics and legislation.

The union label.—The union label was first used by a local cigar makers' union in San Francisco in 1874 to distinguish American-made cigars from the work of Chinese competitors. Unfortunately, however, while the Cigar Makers' Union had adopted a blue label, the Knights of Labor, wishing a distinctive mark, chose a white cigar label to circulate side by side with the blue label of the Union. Largely as a result of this policy harmony soon gave way to bitter rivalry and open conflict. The general principle at issue in the controversy was the right of the Knights of Labor to organize whom they pleased. It was claimed that early in 1886, during a lockout by manufacturers in New York City certain cigar factories involved had been organized by the Knights of Labor. Notwithstanding a promise made by the general executive board of the Order to investigate the charges and to revoke the charter of the offending assembly if the statements proved correct, the Cigar Makers ordered a boycott against all cigars bearing the label of the Knights and endeavored in every possible way to discredit the Order. In retaliation, the General Assembly adopted a resolution ordering all employees in the cigar trade, who were members both of the Knights of Labor and of the Cigar Makers' International Union, to withdraw from the Union or leave the Order. This resolution marked a turning point in trade-union history in that it gave a determining impetus to the movement already strong from the Knights of Labor assembly in the direction of the autonomous trade union. The Order discovered its mistake as soon as the convention of 1886 had adjourned, and at the following convention endeavored to correct the error. "Resolved, That members expelled from the Order because of belonging to the Cigar Makers' International Union be reinstated without paying initiation fees or back dues. . . . ."

Throughout the controversy the Federation of Labor exerted its influence in favor of the union. If the Federation had recognized the label of the Knights of Labor, the Order would have been virtually granted full rights as a union, and vested with co-ordinated authority in the conduct of trade matters. The proposed "treaty" of 1886 contained the provision that "the Knights of Labor shall not establish or issue any trade mark or label now issued, or that may hereafter be issued by any national or international trade union." The Knights of Labor, however, regarded itself as a pioneer in the use of the label and refused to part with its independent use.

Co-operation.—It is clear that the founders of the Knights of Labor conceived an ultimate industrial system in which workmen should be their own employers. For inaugurating the co-operative commonwealth, the structure of the Knights of Labor was far superior to that of the rival federation. The mixed assembly comprised men in many walks of life, and largely controlled demand as well as production. If a trade local embarked in a co-operative enterprise only a limited number of consumers were directly concerned; but when a mixed local in a community organized into Knights of Labor assemblies ventured on independent production, the collection pátronage affiliated therewith assured a market. Experiments in co-operative stores, factories, and institutions, were reported in 1882 from seventeen localities of the one hundred represented; in 1887, the general co-operative board announced that light halls and buildings were owned, and that eleven newspapers and fifty-four workshops, factories, etc., were engaged in productive co-operation. The general result of such ventures was, however, disappointing. Probably the chief cause of failure was the lack of business experience.

Strikes and boycotts.—The Knights of Labor in principle stood consistently for the arbitration with employers of all grievances. In the event of arbitration failing, the boycott was regarded as the most effective weapon of labor. The same width of organization that facilitated the distribution of co-operative products enabled the Knights to make effective use of the boycott. Designed as a temporary expedient, this device was regarded as more effective than the strike, without involving the suffering attendant upon all protracted struggles. In the use of the boycott, the inter-trade form of labor organization enjoys a peculiar advantage. A trade union in any locality may cease purchasing an article without appreciably reducing its sale; but an assembly of the Knights of Labor in the vicinity wielded an influence proportional to the purchasing power of all the members interested. More important still, under the centralized power by which the General Assembly controlled the subordinate divisions, the observance of a boycott might be strictly enforced on all members.

As the Order came, with its growth, more and more into touch with practical affairs, periodic strike fevers swept over the membership and strike regulations became necessary.

The new strike spirit did not confine itself to inaugurating trade or local strikes. Strong influences were at work to convert the Order into an aggressive and militant organization. Accepting the motto,

"An injury to one is the concern of all," in the literal sense, the newly initiated element sought to widen the area of every strike by ordering out all employees of an offending employer. The Knights of Labor were well organized for undertakings of this character, controlling as they did all trades, and vesting in the General Assembly the right to order all subordinate divisions on strike whenever the situation justified such action. The disastrous end of the strike on the Missouri Pacific railroad system in 1886 brought the advocates of sympathetic strikes into discredit.

The American Federation of Labor has from the outset regarded strikes as the necessary means to gain trade union ends under a system of capitalistic production. Being merely an advisory centre, and depending upon the support of trade unionists working through their respective national unions, the Federation lacks the power to control strikes, so prominent in the Knights of Labor. Consequently, the Federation has followed a conservative course and has acted only as a source of moral and financial support to the national unions involved. It claims no power to call sympathetic strikes.

Reduction in the length of the working day.—In the original platform of the Knights of Labor, one of the most prominent of the expressed aims of the Order was "The reduction of the hours of labor to eight per day, so that the laborers may have more time for social enjoyment and intellectual improvement, and be enabled to reap the advantage conferred by the labor-saving machinery which their brains have created." Although the Knights possessed a system of government well adapted for general movements, they never formulated a definite plan for the inauguration of the eight-hour day.

Politics and legislation.—The Knights of Labor and the American Federation of Labor have both recognized the advantages that a federation of trades has over separate trade unions in any reform movement involving political activity, and have shaped their respective policies accordingly. The two organizations have, however, employed different methods. The Knights of Labor as an organization was designed in the belief that the general interests of the labor world transcend the interests of particular crafts. Since general interests can be best promoted by political action, the Knights laid greater stress on political activity and aimed to bring into existence ultimately a labor party. On the other hand, the Federation holds that the best way to promote general aims is by each trade seeking zealously its own interests.

The Knights of Labor, as a secondary interest, endeavored to forward labor legislation. Among the most important reforms advocated by the Knights were direct legislation, the initiative and referendum, bureaus of labor statistics, abolition of the contract system on national, state, and municipal works, compulsory arbitration, prohibition of child labor under the age of fifteen, and government ownership of telegraphs, telephones, and railroads.

c) THE NEGOTIATIONS BETWEEN THE KNIGHTS AND TRADE UNIONISTS IN 1886

i. The Proposal of the Trade Unions[1]

The conference stated, "We hold that the trade unions should strictly preserve their distinct and individual autonomy, and we do not deem it advisable for any trade union to be controlled by or to join the Knights of Labor in a body, believing that trades unions are best qualified to regulate their own internal trade affairs. There need be no fears of their [the trades unions'] destruction, nor need there be any antagonism between them and the Knights of Labor." The last conclusion, though it may have been in strict conformity with abstract logic, went, nevertheless, contrary to the concrete logic of the situation. The trade unions could hardly expect that the Knights of Labor at a critical period such as this, when the fate of their movement was hanging in the balance, could allow the skilled men to remain within the narrow circle of their special trade interests. It was, therefore, a matter of natural sequence that, using the words of the resolution passed by the conference, it became "the avowed purpose of a certain element of the Knights of Labor to destroy the trades unions."

But though the trade unions seem to have failed to grasp the nature of the class struggle conducted by the Knights of Labor, and, therefore, viewed the latter merely as an encroaching organization, no one can deny that they were acting within their right when they strenuously opposed the policy of forcible assimilation applied by the Knights of Labor. The proposed treaty of peace drawn up by the conference as the basis for future negotiations read as follows:

"First, That in any branch of labor having a national or international organization, the Knights of Labor shall not initiate any person or form any assembly of persons following said organized craft or calling without the consent of the nearest national or international union affected.

[1] Adapted with permission from John R. Commons and associates, *History of Labour in the United States*, pp. 404–5. (The Macmillan Co., 1921.)

"Second, That no person shall be admitted to the Knights of Labor who works for less than the regular scale of wages fixed by the union of his craft, and none shall be admitted to membership in the Knights of Labor who have ever been convicted of 'scabbing,' 'ratting,' embezzlement or any other offence against the union of his trade or calling until exonerated by the same.

"Third, That the charter of any Knight of Labor Assembly of any trade having a national or international union shall be revoked and the members of the same be requested to join a mixed assembly or form a local union under the jurisdiction of their respective national or international trades unions."

ii. The Proposal of the Knights[1]

To the Officers and Members of all National and International Trades-Unions of the United States and Canada, Greeting:—

Brothers in the Cause of Labor:—We, the Knights of Labor, in General Assembly convened, extend our heartiest greeting to all branches of honorable toil, welcoming them to the most friendly union in a common work.

This organization embraces within its folds all branches of honorable toil, and all conditions of men, without respect to trades,occupation, sex, creed, color, or nationality.

We recognize the service rendered to humanity and the cause of labor by trades-union organizations: but believe that the time has come, or is fast approaching, when all who earn their bread by the sweat of their brow shall be enrolled under one general head, as we are controlled by one common law—the law of our necessities; and we will gladly welcome to our ranks, or to protection under our banner, any organization requesting admission. And to such organizations as believe that their craftsmen are better protected under their present form of government, we pledge ourselves, as members of the great Army of Labor, to co-operate with them in every honorable effort to achieve the success which we are unitedly organized to obtain; and to this end we have appointed a special committee to confer with a like committee of any national or international trades-union, which shall desire to confer with us on the settlement of any difficulties that may occur between the members of the several organizations.

The basis upon which we believe an agreement can be reached would necessarily include the adoption of some plan by which all

[1] Adapted with permission from *The Labor Movement: The Problem of Today*, edited by George E. McNeill, pp. 423–24. (A. M. Bridgman & Co., 1887.)

labor organizations could be protected from unfair men—men expelled, suspended, under fine, or guilty of taking places of union men, or Knights of Labor while on strike or while locked out from work; and that as far as possible a uniform standard of hours of labor and wages should be adopted, so that men of any trade, enrolled in our Order, and members of trades-unions may not come in conflict because of a difference in wages or hours of labor. We also believe that a system of exchanging working-cards should be adopted, so that members of any craft, belonging to different organizations could work in harmony together—the card of any member of this Order admitting men to work in any union shop, and the card of any union man admitting him to work in any Knights of Labor shop.

5. THE AMERICAN FEDERATION OF LABOR

a) GENERAL NATURE[1]

The international unions, chartered by the Federation, are given jurisdiction over organization within prescribed trade or industrial lines.

These international unions in turn issue charters to local unions, giving them the right to organize the workers within a prescribed locality, coming under the jurisdictional provisions of the international charter. A local union is known by a number, as Local Union 25 of the International Ladies' Garment Workers. The local unions pay a per capita tax in support of the international unions.

The laws governing the election of officers, the duties of officers, the holding of conventions, the fixing of dues and initiation fees, the terms of contracting or bargaining with employers, as well as organization actually accomplished, are determined by each international union. *Once in possession of the charter, the autonomy of an international union is complete*, so long as it does not encroach on territory assigned another international.

Within its assigned field it may organize every worker or it may lie down on its job. The Federation, by its own laws, may grant no other group of workers a charter in the same field so long as the original organization observes the requirements of its charter, and pays its per capita tax. It considers any other group which operates in the same field, a "dual," that is, a rival organization, and inimical to the interests of unity. The character of the internationals varies as to method and forms, as well as to principles of action.

[1] Adapted with permission from Helen Marot, *American Labor Unions*, pp. 16, 21. (Henry Holt & Co., 1914.)

While this allowance for differences in policy gives each international organization full opportunity for individual expression, the American Federation, according to its own constitution, has no power to check the domination of the international unions over their own local unions.

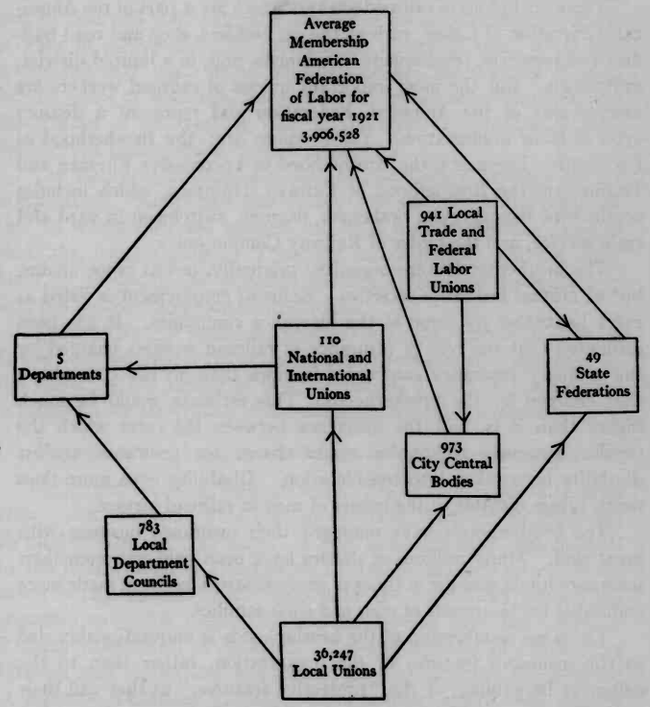
There are also local unions affiliated directly with the Federation without allegiance to an international union. In trades where no internationals exist, the Federation grants charters to organizations of eleven or more workers of a trade in one locality. These are also called local unions. When seven or more of these locals desire consolidation, they make application to the Federation, which withdraws the individual charters and issues a charter to an international union, which re-issues individual charters to the locals which formed it.

In localities where there are not enough wage-earners in any one trade to organize as a local trade union, or where there are not enough who desire organization, workers of miscellaneous trades are grouped together in what the Federation calls Federal Labor Unions.

For many years the strength of the American Federation has been sapped by what are commonly known as jurisdiction fights. The international unions are still appealing to the Federation, which prescribes the boundaries of each, to decide on the question of disputed territory.

b) STRUCTURE[1]

CHART J



[1] Taken from the *Report of the Proceedings of the Forty-first Annual Convention of the American Federation of Labor*, 1921, p. 30.

5. THE RAILWAY BROTHERHOODS

a) ORGANIZATION AND POLICIES[1]

There are unions of railroad workers which are a part of the American Federation of Labor, such as the car builders, shop and road builders and repairers, telegraphers, machinists, and, in a limited district, switchmen. But the most important unions of railroad workers are independent of the American Federation and represent a distinct type of labor organization. These unions are: the Brotherhood of Locomotive Engineers, the Brotherhood of Locomotive Firemen and Enginemen, the Brotherhood of Railway Trainmen, which includes conductors, baggagemen, brakemen, flagmen, switchmen in yard and train service, and the Order of Railway Conductors.

The brotherhoods were organized originally, not as labor unions, but as mutual insurance societies. Railroad employment is listed as extra hazardous by some of the insurance companies. It has been estimated that the cost of insurance of railroad workers charged by the ordinary insurance companies is more than 30 per cent above that charged by the brotherhoods. This estimate would be much higher than it is, had the difference between the rates which the regular insurance companies would charge for insurance against disability been taken into consideration. Disability even more than death brings disaster to the homes of men in railroad service.

The brotherhoods have managed their insurance business with great skill. Many millions of dollars have been paid out from their insurance funds, and life in times of greatest stress has been made more endurable for thousands of men and their families.

The large membership of the brotherhoods is unquestionably due to the insurance features of the organization, rather than to the collective bargaining, or the "protective features," as they call their trade agreements, which were introduced in the early years of organization.

Their first efforts to change their wage conditions through their organizations were met with bitter and unrelenting opposition by the management of the roads. The Firemen, for example, adopted the "protective policy" in 1879, two years after the organization of their insurance business. They were forced to abandon it after a brief experience on account of the opposition of the railroad management. In 1885 they reintroduced the policy of collective bargaining, and have continued ever since to develop it.

[1] Adapted with permission from Helen Marot, *American Labor Unions*, pp. 29–35. (Henry Holt & Co., 1914.)

While the insurance features of the brotherhoods have protected members, they are also responsible for the unfailing conservatism of the organizations. A member who has invested in a policy and has carried that policy for several years and is counting on its protection is wary of strikes or other experiments involving risk. It is well recognized that trade union officials who are the trustees of large benefit funds or insurance features of unions are more sensitive to a disturbance of the treasury than to the economic position of their members or their relation to their employers.

The insurance features are used as disciplinary weapons by the organization. Men who strike without the sanction of the organization in which they are insured and hold membership are expelled from the Brotherhoods of Trainmen and Firemen. On the other hand, in no one of the organizations can a man retain membership who has scabbed in an authorized strike.

The avoidance of strikes is a business principle of the brotherhoods. It has also become a virtue and a social responsibility assumed by the officers. The taking of a strike vote is a part of the required preparation for arbitration proceedings, as explained elsewhere.

b) IMPORTANT COMMON FEATURES OF THE BROTHERHOODS[1]

Organization among railroad employees did not begin until after 1860. The engineers were first in the field, forming, in 1865, the Brotherhood of the Footboard. A year later this name was changed to the Brotherhood of Locomotive Engineers, the title by which the union is still known. Five years later the conductors formed the organization which eventually was to develop into the Order of Railway Conductors of America. The Brotherhood of Locomotive Firemen and Enginemen was formed in 1873, and the Brotherhood of Railroad Trainmen in 1883. Subsequently unions were started among other railway employees, including the switchmen, carmen, trackmen, machinists and telegraphers, but no one of these organizations has attained the degree of power and prestige enjoyed by the four principal unions.

These four brotherhoods have important features in common:

1. Each union includes practically all the men employed in its field. The Trainmen, with 134,000 members; the Engineers, with 73,000; the Firemen, with 91,000, and the Conductors, with 49,000, comprise respectively 65 per cent, 90 per cent, 75 per cent, and 90

[1] Taken with permission from E. C. Robbins, *The Railway Conductors*, 1914, pp. 10, 11. (Columbia University Studies.)

per cent of all the men in these four occupations employed by the steam railroads of the country.

2. The work of conductors, engineers, firemen and trainmen is similar in many respects. It requires physical endurance, mental alertness and a capacity for responsibility unusual in ordinary industrial pursuits. An apprenticeship of several years is required for proficiency in any of these four lines of work. This condition, combined with the responsibility devolving on the railroad for the safe transport of passengers and goods, makes it exceedingly difficult for a company to fill the places of these employees in case of a strike or lockout. So unique, in fact, is the position of the four railway brotherhoods in this regard, that they have persistently refused to affiliate themselves with any of the larger labor federations, such as the American Federation of Labor, on the ground that such an alliance would be of little benefit, while it might embroil them in needless sympathetic strikes and boycotts.

3. Each of the four unions has extended its jurisdiction throughout the entire continent, and has been successful in withstanding the encroachments of rival organizations both in the United States and Canada.

4. All four unions deprecate the use of the sympathetic strike and all are advocates of the open shop; that is, they do not insist upon the exclusive employment of union members.

5. In addition to trade activities proper, much emphasis is placed by them on fraternal and benevolent features, all conducting life-insurance associations for the benefit of their members.

7. THE AMALGAMATED CLOTHING WORKERS[1]

The Amalgamated Clothing Workers really originated in 1910 in a spontaneous strike of 40,000 hitherto unorganized workers in the men's clothing industry of Chicago. The strikers affiliated with the United Garment Workers but became dissatisfied with the manner in which that organization conducted the strike. The strike was lost, save in the shops of Hart, Shaffner, and Marx, where a joint method of settling disputes was set up.

In New York, the men's clothing workers also effected an organization. These newer unionists were in the main Jewish and were believers in socialism and industrial unionism. In 1914, a split occurred between the old and the new elements in the United Garment

[1] Prepared.

Workers. The latter set up a separate organization which was refused recognition by the American Federation of Labor. The new organization was then named the Amalgamated Clothing Workers. The chief strength of the organization remained for some years in Chicago but during 1918 and 1919 they succeeded in organizing practically all the men's clothing centers of the country and in securing collective agreements. Their membership in 1920 was approximately 150,000.

The Amalgamated is a preculiarly interesting union in that it is composed mainly of the newer immigration, is organized on an industrial basis, and combines a radical social philosophy with a constructive attitude toward the settling of industrial disputes and the promotion of production. Its preamble declares that:

> The economic organization of labor has been called into existence by the capitalist system of production, under which the division between the ruling and the ruled class is based upon the ownership of the means of production. A constant and increasing struggle is being waged between these two classes. In this struggle, the economic organization of labor, the union, is a natural weapon of offense and defense in the hands of the working class. But in order to be efficient and effectively serve its purpose, the working class must accept the principles of industrial unionism. The industrial and inter-industrial organization, built upon the solid rock of clear knowledge and class consciousness, will put the organized working class in actual control of the system of production and the working class will then be ready to take possession of it.

The Amalgamated has in practice shown itself willing to make and keep agreements with employers and its officers, notably the president, Sidney Hillman, have thrown the weight of their influence to prevent stoppages and to insure efficient production.

8. THE I.W.W.

a) PREAMBLE TO THE CONSTITUTION OF THE INDUSTRIAL WORKERS OF THE WORLD (FOUNDED 1905)

The working class and the employing class have nothing in common. There can be no peace so long as hunger and want are found among millions of working people and the few, who make up the employing class, have all the good things of life.

Between these two classes a struggle must go on until the workers of the world organize as a class, take possession of the earth and the machinery of production and abolish the wage system.

We find that the centering of the management of industries into fewer and fewer hands makes the trade unions unable to cope with the ever growing power of the employing class. The trade unions foster a state of affairs which allows one set of workers to be pitted against another set of workers in the same industry, thereby helping to defeat one another in wage wars. Moreover, the trade unions aid the employing class to mislead the workers into the belief that the working class have interests in common with their employers.

These conditions can be changed and the interest of the working class upheld only by an organization formed in such a way that all its members in any one industry, or in all industries, if necessary, cease work whenever a strike or lockout is on in any department thereof, thus making an injury to one an injury to all.

Instead of the conservative motto "A fair day's wages for a fair day's work," we must inscribe on our banner the revolutionary watchword, "Abolition of the wage system."

It is the historic mission of the working class to do away with capitalism. The army of production must be organized, not only for the every day struggle with capitalists, but also to carry on production when capitalism shall have been overthrown. By organizing industrially we are forming the structure of the new society within the shell of the old.

Knowing, therefore, that such an organization is absolutely necessary for our emancipation, we unite under the following constitution:

[Some constitutional provisions of the I.W.W. follow.]

Article VII. Sec. 3: "No member of the I.W.W. shall be an officer in a pure and simple trade union."

Article IX. Sec. 1: All officers in the I.W.W. when being installed into office, shall be required to give the following pledge. ". . . . I believe in and understand the two sentences: 'The Working Class and the Employing Class have nothing in common' and 'Labor is entitled to all it produces!'"

b) THE I.W.W. SPEAKS FOR ITSELF[1]

The I.W.W. has absolutely nothing to do with political action of any kind. We prohibit all such propaganda within our organization. We center all our attention upon a question that equally concerns

[1] Adapted with permission from *What Is the I.W.W.?*, pp. 3, 4, 11, 13, 14, 16–19. (Published by the Industrial Workers of the World, 1001 W. Madison St., Chicago.)

everybody, namely, the economic question. The members of this economic movement have not their eyes riveted on the government buildings, like the political parties, but on the factories, the mills, the shops and the other places of production. . . . .

By means of our Industrial Unions we propose to pick up the threads of production and distribution where they fall out of the impotent hands of the capitalist class and continue to produce food, clothing and shelter, in order that mankind may not suffer. We maintain that the union of workers in each establishment is the organ best fitted to run that establishment. When it comes to the question of methods the I.W.W. has perhaps been more misunderstood and misrepresented than in any other respect. We ourselves prefer to describe our methods as Economic Direct Action. What is it? It is that kind of action which the workers use when they seek to attain control of the place of work, the factory, the mill, the shop.

The I.W.W. also practises that form of direct action known as the strike and the boycott, but it is always the members who decide the calling of a strike or a boycott, not the officials. The I.W.W. prefers the *strike on the job*, resorting to the latter only when all other means have failed. The strike on the job consists in a withdrawal of efficiency calculated to force the employer to the desired concessions. The I.W.W. members realize that the strike off the job frequently turns into a prolonged fast while the employer seeks to fill the jobs with strike breakers, and for that reason they are loath to abandon the field of battle, that is the job, to the enemy.

We hold that, in the nature of things, the economic collapse of capitalism will soon be followed by a political collapse. The workers of Russia, Sweden and Germany have twisted the governmental stick from the economic master, and are trying socialist governments. But the socialist stick is as bad as the capitalist stick.

We know how the political administrations are built up. Voting and representation are on geographical lines. The citizens vote promiscuously in their precincts, most of them unknown to one another and unacquainted with the nominees. As a result we see a highly industrialized society like the United States largely run by lawyers and professional politicians. Political administrations thus tend to become incompetent and help to run capitalism in the ditch. This applies not only to capitalist administrations but also to the socialist ones. "Fill all the important offices with dependable bolsheviks irrespective of their competence," was the order in Russia.

The industrial collapse of Soviet Russia was the result. Modern industrial society is too complex to be run by party politicians and political administrations. An industrial society, in order to prosper, must have an administration of experts in every field, i.e., an Industrial Administration.

By means of the Industrial Franchise, which gives the vote to all useful workers in their productive capacity; by means of Industrial Representation, which gives us expert public servants from every line of human activity, and by means of the resulting Industrial Administration, we propose to anchor all power for all times to come with the deep layers of the people who do the useful work with hand and brain, so that it cannot possibly slip away from them and give rise to another system of class rule.

This is truly what we mean when we speak of Industrial Democracy and Industrial Communism.

c) THE ATTITUDE OF THE I.W.W. TOWARD THE A.F. OF L.[1]

The American Federation of Labor, as the alleged embodiment of everything "crafty," has always been the arch-enemy of the I.W.W.

The stress of opposition to the Federation was, of course, directed chiefly to its craft formation, but it also featured prominently the reaction against its assumption of identity of interest between employer and employee. One of the committees at the first convention drew up a comprehensive indictment of "old line trade-unionism." "The A.F. of L.," it declares, "is neither American, nor federation, nor of labor," because (1) it is adapted only to such conditions as existed in England sixty years ago; (2) it is divided into 116 warring factions; (3) it discriminates against workingmen because of their race and poverty; (4) its members are allowed to join the militia and shoot down other union men in time of strike; and (5) it inevitably creates a certain aloofness among the skilled workmen—the "aristocrats of labor"—toward those not skilled. "There are organizations which affiliated," Haywood asserts, "with the A.F. of L. which . . . . prohibit the initiation of, or conferring the obligation on, a colored man; that prohibit the conferring of the obligation on foreigners."

The craft form of organization creates three types very obnoxious to the industrial unionist, viz., the "aristocrat" of labor, the "union

[1] Adapted with permission from Paul F. Brissenden, *The I. W. W., A Study of American Syndicalism*, pp. 83–88. (Columbia University, 1920.)

scab," and the "labor lieutenant." By the "union scab" the industrial unionist means the man who continues at work at his particular trade when the men of an allied trade are on strike. "For instance," said Haywood, "in the packing plants, the butchers' organization was one of the best in the country. When they were called on strike they quit to a man. That is, the butchers quit; but did the engineers quit, did the firemen quit, did the men who were running the iceplants quit? They were not in the union, not in that particular union. They had agreements with their employers which forbade them quitting. The result was that the Butchers' Union was practically totally disrupted."

Craftism is what it is, because it involves a separate binding agreement for each trade. These, being contracted independently by each craft, naturally expired at different dates, so that the several crafts in any given industry can never be free to act in unison. The craft idea tended to develop the idea of caste among workingmen, and the skilled were set off from the unskilled as the "aristocracy of labor."

"We are going down in the gutter [said Haywood] to get at the mass of the workers and bring them up to a decent plane of living. I do not care a snap of my finger whether or not the skilled workers join this industrial movement at the present time. When we get the unorganized, the skilled worker will of necessity come here for his own protection. As strange as it may seem to you, the skilled worker today is exploiting the laborer beneath him, the unskilled man, just as much as the capitalist is."

But ultimately, according to Sherman, all workers—not merely the groups connoted by the term "working-class"—must be grouped in the proposed organization. "We don't propose [he said] to organize only the common man with the callous hands, but we want the clerical force; we want the soft hands that only get $40 a month—those fellows with No. 10 cuffs and collars. We want them all, so that when a strike is called we can strike the whole business at once."

A third type condemned by revolutionary unionists was the so-called "labor lieutenant." This latter "mis-leader" of labor was the symbol of another objectionable feature of the A.F of L., viz., the assumption that the interests of employer and employee are identical or at least to a large degree compatible. It is said that Mark Hanna once referred to the organizers and officials of the trade unions as the "labor lieutenants of the captains of industry."

d) THE DECLINE OF THE I.W.W.[1]

The American public has been frightened by the impressionist school of reporters into a tremendous overestimate of the power of the Industrial Workers of the World. This is the one outstanding fact revealed by the eighth annual convention of that organization held in Chicago late in September (1913).

In spite of eight years of organizing effort and unparalleled advertisement, the official roll of the convention indicated that its present paid-up membership entitled to representation does not much exceed 14,000 men.

This convention secondly brought into clearest relief the fact that this feeble body is in a state of organic chaos as the result of apparently irreconcilable internal conflict, in the present convention under the guise of centralization versus decentralization. It is at present objectively a contest virtually between the East and the West. The so-called decentralizers, mainly westerners, sought in the convention by every conceivable means to cut down the power and authority of the central governing body.

The fact is that the I.W.W. is not an organization but a loosely bound group of uncontrolled fighters. The I.W.W., however, is not only weak in membership and organic unity; it possesses, further, no financial resources even in a slight degree adequate to advance and maintain its proposed organization of the working class or to carry forward any consistent assault on capitalism; and, moreover, it has shown itself incapable of controlling for its main purposes even the financial resources which it does possess. Time after time the I.W.W. has been obliged to let slip favorable opportunities for organization and has lost local bodies because it could not furnish the carfare and meal tickets necessary to send the gospel to the workers groping in darkness. The whole experience of the organization has, in fact, proved that, short of a condition of general and desperate distress, progressive and permanent working-class organization requires ready and continuous financial support. And here lies the most vital error in the practical theory and calculations of the I.W.W. The American workmen as a body are not, and are not likely to be, in a condition of general and desperate distress. It is, therefore, to the unskilled and casual laborers alone that the I.W.W. can bring home its appeal and to these only that it can look for the funds to put through its organizing projects. It is this chronic financial distress that more than anything

[1] Adapted from Robert F. Hoxie, "The Truth About the I.W.W.," *Journal of Political Economy*, XXI (November, 1913), 785–93.

else has caused the dissipation of its membership after each of its brilliant but spasmodic efforts.

The case is made more hopeless by the inability of the organization to control the little financial power it can command. This lack of financial control is another outcome of the decentralizing mania which grips the membership. The average local has not developed the ability to conserve its own resources. Rather than support the central authority and submit to its financial management, the local suffers its funds to be dissipated by incompetent members or stolen by dishonest officials.

The I.W.W. has failed to develop and sustain a stable body of leaders. Moyer, Debs, Mother Jones, and others, signers of the original manifesto, effective leaders of the past, many of them yet effective leaders in other labor organizations, have all disappeared from the councils of the I.W.W.—nagged out, kicked out, or driven out by despair or disgust. This result has been in part the inevitable outcome of the hatred of authority which expresses itself in the decentralizing movement but, to no small extent, it is the product of a strong force of romantic idealism. In spite of the fact that these men will have none of the regularly constituted authority when it makes for strength, they are hero-worshipers and are easily led for the moment by the "heroes of labor." These heroes are, in general, men who themselves have not involuntarily suffered at the hands of society but have provoked its vengeance and have constituted themselves the personal avengers of the wrongs of the working class. They are the inventors of new forms of sabotage, the guerilla leaders, the members of "secret committees," the *provocateurs* in the free-speech fights.

e) FLEETING CHARACTER OF THE I.W.W. MEMBERSHIP[1]

The I.W.W. often gives very exaggerated membership estimates. In 1913, when estimates ran into the hundreds of thousands, "Hoxie walked into the office of St. John, the General Secretary, and said, 'Look here, St. John, I've got the goods on you. You have only 14,300 members.' 'You're a liar, Hoxie,' replied St. John, 'we have 14,310.'"

Conservative estimates of the active membership in 1915 put it at 15,000 distributed among 150 local unions. Not less than 2,000 locals were chartered and approximately 200,000 membership cards issued in the ten-year period 1905–1916. This indicates that only 7.5 per

[1] Adapted with permission from Paul F. Brissenden, *The I.W.W., A Study of American Syndicalism*, pp. 333–48. (Columbia University, 1918.)

cent of the locals chartered and of the individuals enrolled in the I.W.W. have remained in the organization.

9. THE GROWTH AND EXTENT OF TRADE UNIONISM

a) A QUARTER-CENTURY OF GROWTH IN AMERICA[1]

Year	Membership in Thousands	Year	Membership in Thousands
1897	444	1909	2,003
1898	497	1910	2,138
1899	604	1911	2,337
1900	865	1912	2,441
1901	1,123	1913	2,701
1902	1,374	1914	2,674
1903	1,913	1915	2,568
1904	2,073	1916	2,755
1905	1,945	1917	3,041
1906	1,906	1918	3,450
1907	2,078	1919	4,096
1908	2,090	1920	4,924

b) ORGANIZATION BY INDUSTRIES IN 1910[2]

Of the 38,130,000 persons gainfully employed in industry in the United States in 1910, 2,116,317 or 5.5 per cent were members of trade unions. Of the 30,060,000 male employees 2,042,000 or 6.8 per cent were unionists, and of the 8,075,000 females in industry 73,800 or 0.9 per cent were members of labor organizations. The total membership of trade unions was distributed among the various industries in the following proportions:

1. Of the 18,262,000 persons employed in the production of salt, oil and natural gas, in chemical industries, button factories, oil refineries, rubber factories, turpentine distilleries, in the hand trades, in retail and wholesale trade, in agriculture, forestry, and animal husbandry, and in proprietary and supervisory capacities less than 1 per cent were organized.

2. Of the 8,819,000 persons employed in the metal industries, paper and pulp, textiles, charcoal, coke and gas works, as stationary engineers, in public, professional, domestic and personal service, and as clerical workers from 1 per cent to 5 per cent were organized.

3. Of the 2,230,000 persons employed in quarries, in the production of foodstuffs, iron and steel, in broom and brush factories and as stationary firemen from 5 per cent to 10 per cent were organized.

[1] G. E. Barnett, "Membership in American Trade Unions," *Quarterly Journal of Economics*, XXX (August, 1916), 846; and "The Present Position of American Trade Unionism," *Supplement American Economic Review*, XII (March, 1922), 55.

[2] Taken with permission from Leo Wolman, *Quarterly Journal of Economics*, XXX, 499–500. (Harvard University Press, 1916.)

4. Of the 1,150,000 persons employed in the leather industries, in lumber and furniture industries, straw factories, in electric light and power plants, electric supply houses and as electricians and electrical engineers from 10 per cent to 15 per cent were organized.

5. Of the 5,915,000 persons employed in the clothing industries, in transportation and in the building trades from 15 per cent to 20 per cent were organized.

6. Of the 480,000 persons employed in the manufacture of clay, glass and stone products and in cigar and tobacco factories from 20 per cent to 30 per cent were organized.

7. Of the 1,084,000 persons employed in mining and in printing and book-binding from 30 per cent to 40 per cent were organized.

8. Of the 73,475 persons employed in liquor and beverage industries over 40 per cent were organized.

c) DISTRIBUTION OF UNION MEMBERSHIP AMONG VARIOUS OCCUPATIONAL GROUPS[1]

TABLE LXXXIV

Group	1897		1915		1920	
	Number (in Thousands)	Percentage of Total Number Organized	Number (in Thousands)	Percentage of Total Number Organized	Number (in Thousands)	Percentage of Total Number Organized
1. Mining and quarrying	21	4.7	332	12.9	418	8.5
2. Building trades	67	15.2	533	20.8	888	18.0
3. Metal, machinery and shipbuilding	50	11.3	220	8.6	836	17.0
4. Paper, printing, and bookbinding	38	8.5	115	4.5	163	3.3
5. Lumber and wood working	5	1.2	21	0.8	24	0.5
6. Food, liquor and tobacco	44	9.9	111	4.3	116	2.4
7. Restaurant and trade	6	1.4	89	3.5	151	3.1
8. Textile	8	1.8	23	0.9	109	2.2
9. Clothing	15	3.3	170	6.6	362	7.4
10. Leather	13	2.9	50	1.9	91	1.8
11. Transportation	116	26.2	576	22.4	1217	24.7
12. Theaters and music	7	1.5	87	3.4	96	1.9
13. Public service	11	2.5	77	3.0	160	3.2
14. Chemical, clay, glass and stone	23	5.2	53	2.1	52	1.1
15. Miscellaneous	20	4.4	111	4.3	241	4.9
Total	444	100.0	2568	100.0	4924	100.0

[1] Adapted with permission from G. E. Barnett, "Growth of Labor Organization," *Quarterly Journal of Economics*, XXX, 838–46, 793; also "The Present Position of Trade Unionism," *Supplement American Economic Review*, XII, No. 1 (March, 1922), 52–55.

d) THE WORLD-WIDE GROWTH IN TRADE UNIONISM SINCE 1910[1]

In comparing the combined membership in different countries, it is necessary for obvious reasons to omit the years 1915, 1916, 1917, 1918. For the remaining years, reliable estimates have been obtained for 20 countries.

These countries are: United Kingdom, Germany, U.S.A., France, Italy, Belgium, Holland, Denmark, Sweden, Norway, Finland, Switzerland, Spain, Austria, Hungary, Czecho-Slovakia, Canada, Australia, New Zealand, and Serbia. The total trade union membership in these twenty countries is given in the table below:

End of Year	Membership in 20 Countries
1910	10,835,000
1911	12,249,000
1912	13,341,000
1913	14,728,000
1914	13,222,000
1919	32,680,000

From this table it will be seen that the numbers at the beginning of 1920 were treble the number in 1910 and more than double the number at the end of 1913, just before the war. A small part of this is due to the greater completeness of the returns and another small part (probably about 10 per cent) to the natural growth of population, but even allowing for these two factors, there has been an enormous growth in trade unionism among the workers. This growth is common to all countries.

During the war trade unionism received a check, especially in the belligerent countries. The decline was especially great in Germany, Austria, Hungary, Italy, and Czecho-Slovakia, but in all these countries the numbers began to increase in 1917. The end of the year 1919 saw a phenomenal increase, especially in the Central European States. For European countries only, the membership at the end of 1919 may be put at 26 millions at least, as compared with about 8½ millions at the end of 1910.

Of the total membership of 32,680,000 shown above, it is interesting to note that for five of these countries—viz., United Kingdom, Germany, U.S.A., France, Italy—the total membership in 1919 amounted to a little over 27 millions, leaving 5 millions for the remaining 15 countries.[2]

[1] Adapted from *International Labour Office Bulletin, Series A*, No. 17, pp. 1–5, February 6, 1921.

[2] [NOTE: There has been an appreciable decrease in trade union membership since 1920 in most countries.—ED.]

PROBLEMS

1. Why do men join unions? Prepare a list of the causes, listing both the economic and non-economic motives.
2. Why do some men refuse to join unions? Prepare a similar list of the probable motives.
3. What is meant by "functional types of unionism"? How do functional types differ from structural types? Are different structural forms likely to have different functional manifestations? Illustrate. To what extent does function influence structure?
4. What is "business unionism"? Are the unions in the building trades examples of business unionism? The Amalgamated Clothing Workers? The Railway Brotherhoods? The unions in the printing trades? Why or why not?
5. What is uplift unionism? Is Hoxie correct in citing the Knights of Labor as an example of this type? What unions do you believe are of this type? Illustrate and explain.
6. What is revolutionary unionism? Does this imply a belief in or a practice of violence? Are the United Mine Workers a revolutionary union? The Amalgamated Clothing Workers? The I.W.W.? The United Garment Workers? Why or why not? Will a revolutionary union sign agreements with the employers?
7. What is predatory unionism? Is a union supported by employers a predatory union?
8. Can a union be said to fall in only one of these functional types? Can it represent at the same time business unionism and predatory unionism; business unionism and uplift unionism; uplift unionism and revolutionary unionism; business unionism and revolutionary unionism; revolutionary unionism and predatory unionism or other combinations of functions? Can you give illustrations of any such combinations?
9. Can a union be composed of men representing all four forms of functional unionism? Can you give illustrations?
10. What causes the various unions to differ so widely in their policies?
11. What light does the functional approach to trade unionism throw upon such statements as "Unions are monopolies," "Unions are altruistic," "Unions are selfish," "Unions believe in violence," "Unions are peaceable"?
12. How do you account for the decline of power of the unions in the late 1830's. What caused their loss of strength in the seventies? Do you expect to see similar declines occur in the future? Why or why not?
13. "The American Labor Movement prior to the Civil War was but temporary and did not accomplish anything worth while." Point out specifically in what ways this statement is correct or incorrect.
14. How do you explain the fact that the trade unions in the United States did not in general become permanent until about 1880?

15. "The labor history of the country is the story of how in the course of three centuries, the wage-earner, as a distinct class, has been gradually, even violently, separating himself from the farmer, the merchant and the employer and coming to feel that his standing and progress in society depend directly on wages and not directly on prices, rents, profits, or interest. Explain the significance of this statement.
16. Why have national unions been formed? Were not local unions competent to deal with local employers?
17. "The Knights of St. Crispin would not have been organized had it not been for the introduction of semi-automatic shoe machinery." Is this statement correct or incorrect, and why?
18. Who were the Knights of Labor? Why were they organized? How do you account for their growth and for their decay?
19. What was the mixed assembly of the Knights of Labor? How did they differ from the locals that had been formed previously? Why were they organized? What were the district assemblies, the general assembly, and what were their powers?
20. What groups organized the American Federation of Labor and why was it organized?
21. Compare the Knights of Labor and the American Federation of Labor as regards (*a*) structure, (*b*) aims, (*c*) methods.
22. What was the significance of the Knights of Labor asking for an exchange of working cards with the trade unions? Why did the trade unions refuse? Why did the trade unions request that the trade unions should deal with all specific economic and trade questions and that the knights should confine their attention to matters of general interest to labor as a whole? Why did the Knights of Labor refuse?
23. Could the clash between the Knights of Labor and the trade unions have been avoided? If so, how, and if not, why not?
24. "The American Federation of Labor, since it is a federation, is able to keep within its ranks unions with divergent policies, a thing which would have been impossible under the Knights of Labor." In what ways is this statement true? Why?
25. How do you account for the great increase in union membership around 1900 and for the failure to gain ground from 1904 to 1910?
26. What actual powers does the American Federation of Labor have and what does it do?
27. How did the Railway Brotherhoods originate and why have not they affiliated with the A.F. of L.?
28. Mr. P. M. Arthur, the former head of the Brotherhood of Locomotive Engineers, once said, "We are not a labor organization." What did he mean by that? Would it have been true in the 1870's? by 1900? by 1916? by 1921? Describe the changes in the attitude of the brotherhoods and account for them.

29. Why were the Industrial Workers of the World formed? Compare them with the A.F. of L. as regards (*a*) membership, (*b*) structure, (*c*) aims, (*d*) methods?
30. What is syndicalism? How does it differ from socialism? What is sabotage? Are the following sabotage: breaking a machine, spoiling materials, loafing on the job, carrying out instructions without authority, telling by the workmen of unpleasant truths about a product? What is the "general strike"? How possible is it?
31. In what ways are the aims of the I.W.W. and the Socialist Party similar? In what do they differ? How do their methods differ?
32. Why do the I.W.W.'s say that they oppose political action? May their real reasons be different from their alleged reasons, and if so what are they?
33. Who are the Amalgamated Clothing Workers, and how do they differ from the majority of the unions that compose the A.F. of L.?
34. How do you account for the great increase in trade union membership within the last five years? What problems does this increase in membership present to the unions themselves?
35. It has been frequently remarked that workmen in periods of trade depression turn from purely trade union activity to political action and social reform, and that with the revival of business, they swing back to economic action. How do you account for this?

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CHAPTER XIX

UNION STRUCTURE AND ORGANIZATION

1. A CLASSIFICATION OF TRADES UNIONS BY STRUCTURE

a) TYPES OF UNION STRUCTURE[1]

1. *The craft union.*—A craft union in its pure form consists of persons following a particular calling or occupation, possessing in common a certain skill, and aiming in common at a certain set of conditions of employment. Often, however, the craft union form does not appear in such purity as this, and we find associated in a single union a number of kindred grades. This is the case, for instance, with the boiler-makers, who include angle-iron smiths, platers, caulkers, riveters, and various other sections. . . . . Thus, an organisation which is based on the craft principle may have either a very narrow or a very wide basis of membership. It may be confined to a single, narrow, specialised occupation, or it may include a large number of kindred crafts. In this connection it is important to notice that disputes may rise not simply between "craft" and "industrial" organisations, but also between craft organisations on a wider or narrower basis.

A further complication of "craft" unionism occurs where a single craft is found in a number of different industries. Thus, there are mechanics or millwrights in almost every industry, and much the same can be said of enginemen.

2. Akin to the craft basis of organisation is a basis of organisation which it is not easy to define. I will call it for the moment *material trade unionism.* This form of organisation follows the line not of the precise craft followed by the worker concerned, but of the material on which he may happen to be working, and it is interesting to note that this is actually the form of organisation adopted by the largest trade union in Germany—the German Metal-Workers' Union.

3. Broadly contrasted with craft unionism in all its various forms is *union by industry,* which again may assume a number of

[1] Adapted with permission from G. D. H. Cole, *An Introduction to Trade Unionism,* pp. 13–18. (Trade Union Series, No. 4. Published by the Labour Research Department, 25 Tothill St., Westminster; and by George Allen and Unwin, Ltd., 20 Museum St., London, W.C.)

different forms. Advocates of union by industry, broadly speaking, set out to combine in a single union all those workers who co-operate in producing a common product or type of product, or in rendering a common service, irrespective of the degree of skill which they happen to possess. Thus they aim at creating one union for the railway industry, one union for the mining industry, one union for the building industry, and so on. This form of organisation, however, passes over easily into a form of organisation which aims at copying exactly the present capitalist structure of industry and at grouping in a single union all those persons who work under a common employer or group of employers. . . . . Thus, when a union sets out to combine in its membership the whole personnel of the railway industry, it easily passes over into the endeavour to combine in membership all those persons who are employed by railway companies, whether they are engaged in rendering the service of railway transport, or are producing some quite different kind of product, e.g., locomotives or railway trucks, or are rendering some different kind of service, e.g., serving on ships or in hotels. In this case organisation by industry does not coincide with organisation following the lines of the employer by whom the workers are employed; but the two forms of organisation do approximate sufficiently to enable them to be very easily confused. Thus, union by industry, which groups together all the workers who co-operate in rendering a common service, is very easily confused in certain cases with what we will call "employment" unionism, which aims at following the lines of the employers' organisation.

4. A further type of union is that which follows the line of sex.

5. There is one further type of union which it is only necessary to mention in order to dismiss it with a word. This is the type which endeavours to include in a single organisation all workers irrespective of trade, craft, industry, sex, or any other consideration, on the basis merely of their own status within the capitalist system. Of this type is the organisation known as the Industrial Workers of the World.

b) SOME FEDERATIONS OF UNIONS[1]

There appears what may be termed the crafts or trades union. This organisation is a federation of unions in different crafts or industries. It has developed three principal forms or units: the

[1] Adapted with permission from R. F. Hoxie, "Trade Unionism in the United States, General Character and Types," *Journal of Political Economy,* XXII (March, 1914), 207–11.

local trades union, or city federation; the state federation; and the national or international federation, which unite through delegate organizations, respectively, the unions of a locality, a state, or a larger territorial area. Examples are the Chicago Federation of Labor, the Illinois Federation of Labor, and the American Federation of Labor. The essential characteristic of the trades union is that the constituent organizations retain their individual independence or sovereignty.

The second variety may in the absence of any generally accepted designation be termed the quasi-industrial federation. It is generally a federation of industrially related craft unions, appearing in local, district or state, and national units. Examples of it are to be seen in local printing trades and local building trades councils, in state building trades councils and system federations of railway employees, and in the Building Trades, Metal Trades, and Railroad Employees departments of the American Federation of Labor. This variety of unionism is one in which the constituent craft or amalgamated craft unions retain their individual sovereignty, yet appear and act as a single organization with respect to designated affairs of common interest. It resembles both the trades union and the industrial union types, but differs from each essentially. It is a narrower and closer association than the trades union and is vitally unlike it in the scope and character of its activities. On the other hand, it lacks the organic homogeneity and centralization of the industrial union. As it is in every case, roughly speaking, an organization within a particular industry and as its aims and activities approximate—so far as they go—those of the industrial union type, it may perhaps be regarded also as an intermediate phase—a mode of transition between the craft and industrial union.

2. CRAFT VERSUS INDUSTRIAL UNIONISM

a) CRAFT AND INDUSTRIAL UNIONS[1]

When a wage earner discovers that, as an individual, he is at a disadvantage in selling his labor, and that this disadvantage is the outcome of his own competition with fellow workers for the same jobs, the discovery places him in possession of the remedy, which is combination. The sort of combination which logically follows his discovery is not combination with all wage earners, but with those who are

[1] Adapted with permission from Helen Marot, *American Labor Unions*, pp. 78–111. (Henry Holt & Co.)

after the same jobs. Such combinations are the trade unions, and such unions are simple business propositions, especially for those workers who pursue trades or crafts which require some degree of experience and training.

The trade form of organization not only follows the impulse for combination under stress of competition, but it follows individual preferences in the association of men of similar equipment and social standing. All other things being equal, machinists as a group would be more harmonious than a mixed group of machinists and shoe operators; or carpenters would appreciate association with other carpenters more than association with the various sorts of employees in a department store. The trade union is in this sense an instinctive form of organization, and, as it follows individual preferences, it is the primitive form of the existing labor combinations. Herein lies the strength and the weakness of "pure and simple" trade unionism.

The industrial union is based on the labor groupings which capital creates for the manufacture and distribution of a commodity or of commodities of a similar character in competition or use. The industrial unionists not only disregard the personal preferences for association, but they set themselves the task of overcoming those preferences and creating in their place new desires for association based on class interests which develop in the struggle for control of industry; for industrial freedom.

While the trade unionist conceives of a job as a thing in itself, the industrial unionist realizes that it is a part of a process. In other words, the unit of organization for labor, as it is for capital, is the industry in which workers, representing possibly several trades, are associated for the manufacture of a product.

The trade unionist denies that industrial organization will successfully co-ordinate all groups of workers. He claims that trade autonomy with federation of trade unions is meeting the modern conditions imposed on labor.

The Railroad Brotherhoods and the controlling faction of the American Federation of Labor represent these claims. The latter organization can point to the trials which it has made in the past in industrial organization, which were relinquished for the pure trade form, as in the case of the printing trade. In 1873 the pressmen separated from the compositors and formed a craft union, on the ground that their interests were overlooked and outvoted. Twelve years later the stereotypers also withdrew and formed their own

independent union. The year following the bookbinders set up for themselves. They all are today allied through printing trades councils, but their bargaining is conducted independently, and their alliance precludes sympathetic strike action.

It is important to understand the changes and transitions which are taking place within the American Federation which, it is claimed, meet the objections of industrial unionists to the general trade union policy. The officers of the Federation repeatedly assert that there is nothing in the construction of the American Federation which prevents each international union from adopting industrial organization within its own province, or amalgamated with other international unions, so long as it does not challenge the jurisdiction of another international. This is the crux of the dispute between the industrial and trade union advocates within the membership of the Federation. The administration cherishes the trade form and tolerates the industrial form only when those most concerned resolutely stand for it. The effort of industrial unionist members is to reverse this position, or even to force the trade unionists to relinquish their position, however much they may be concerned to hold it. In 1901 the American Federation of Labor issued what it calls its "Autonomy Declaration," as follows:

> The American Federation of Labor is conceded by all students of economic thought to be the result of organization on trade lines, and we declare that as a general proposition the interests of the workers will be best conserved by adhering as closely to that doctrine as the recent great changes in methods of production and employment make practicable. We hold that the interests of the trade union movement will be promoted by closely allied and subdivided crafts giving consideration to amalgamation, and to the organization of District and National Trade Councils to which should be referred questions in dispute, and which should be adjusted within allied crafts' lines.

Eleven years later [in 1912] this declaration was reaffirmed, and stands today as the official word on the subject of trade and industrial organization. It is evident that the district and national councils or departments referred to were intended as clearing houses for jurisdictional disputes between the national unions. However, these trade departments which have been created are commonly regarded by the membership as the substitute for proposed schemes of industrial organization. The functioning of these departments is for that reason important.

The four trade departments are the building, metal, mining, and railroad. Before the proposition was made to create a National Building Trades Department, local building trades councils had had years of experience in dealing with disputes of related unions. The building industry in all large centers has furnished fertile soil for disputes between craftsmen over their respective rights to a job. The introduction of new methods of construction, new tools, new materials is the normal condition of the industry. The changes which architects introduce in their specification for practically every operation of importance cut across the trade lines marked out by trade union organization, and even create new trades over which no one local more than another can claim jurisdiction.

In disputes over the disposition of a job the members of a union look to their officers to see that their claims are won. Carpenters who have been in the habit of hanging doors expect their officers to see to it that the job is not given to metal workers because the doors required in the specifications happen to be metal. But the metal workers claim that all work done in metal belongs to them and that carpenters are workers in wood. Such disputes may seem trivial, but it is a matter of bread and butter to the carpenters and the metal workers concerned. It is a matter of importance to the unions, marked out as they are on trade lines. Whichever union fails to win out finds that its standing is so much the weaker with its members. The industrial union not recognizing trade divisions, but regarding each operation as a whole, would leave the burden of dividing up the work to the architects or contractors and avoid internal union dissension.

The proposition of industrial unionists to include all the workers in an industry under one contract would not apply to the building industry, where capital is disorganized and represented by trade divisions. There are in the industry contractors for electrical work, for masonry, for plumbing, for painting and so on. Each contractor employs tradesmen, and it is with these trade contractors that unionists must deal separately, however much they might prefer to make one industrial contract covering all artizans.

The official movement for industrial organization is the movement led by the three unions of the Federation which are recognized as industrial: the United Mine Workers (coal miners), the Western Federation of Miners (metal miners), and the Brewery Workers' Union.

Attention was called to the fact that the Federation has given jurisdictional rights to several international unions over a whole industry; that so far as the Federation is concerned these international unions may organize on industrial lines or may break up into trade divisions, *provided they do not encroach on the territory of another international union chartered by the Federation.* Jurisdictional lines are carefully guarded for such important craftsmen as engineers, electricians, carpenters, plumbers.

On the other hand the United Mine Workers were granted jurisdiction over all workers of whatever crafts who were employed in or around the mines. The explanation for this departure is that the mines are isolated; that the men mining the coal are the dominating labor element; that the miners could do more for the organization of the scattered workers of other crafts than their own craft union could accomplish.

The Brewery Workers, in the early period of its affiliation with the American Federation, outlined for itself an industrial form of organization. As it was one of the first unions chartered by the Federation, there were in the early years no claims of other unions for jurisdiction over any artizans working in and around the breweries. As early as 1887 the secretary said:

The employers realized that this placed the union in a position of advantage. When the American Federation granted charters to craft unions which included the crafts working around the breweries the brewery owners did their part to encourage the dispute over jurisdictional rights. These fights have been carried back and forth through the conventions of the Brewery Workers, through the unions of the other crafts involved, and through the conventions and executive councils of the Federation. The latter in 1900 endorsed the general principle of industrial organization for the brewers. It later, under pressure of the other national craft unions, decided that the brewers were not entitled to their industrial claims. The Brewery Workers refused to recognize this decision and were expelled. But many firemen, engineers, and other artizans refused to join their craft unions and insisted on their membership in the Brewery Workers. Many local city organizations of the American Federation sided with the brewers and the charter was at last returned.

The whole story of the Brewery Workers in relation to industrial unionism is of peculiar importance. It throws light on the relation

between the form of a labor union and the development of an industry which has evolved from home manufacture to a high state of capitalization and concentration and at last to the inclusion of related products. The story is important, as the Brewery Workers have met a greater and more persistent opposition from the craft unions than have the miners. A reason for this is that their industry is located in urban centers where craft unions are in active operation.

It is not the effort to extend the territory or to centralize the bargaining which distinguishes the Miners' Unions and the Brewery Workers as industrial; the industrial feature is the inclusion of every worker employed in the industry in the making of the agreements with the employers. In the same way the district councils are industrial when their agreements or their disagreements include each and every worker employed in the industry. These organizations are examples of what may be called the pure and simple industrial union, including as they do all the workers employed in a single industry. The purpose of the pure and simple industrial union of the American Federation is the same as the purpose of the pure and simple trade unions; the making of agreements with capital for conditions of employment. These unions regard the treaties with capital and each economic gain for the workers as important ends in themselves. Their effort is to make treaties and avoid war whenever a labor gain can be secured through peaceful bargaining or when a treaty brings some token of gain to the industrial group.

The intention of industrial unionism may be either to secure inter-union action between groups of related workers of an industry for the purpose of strengthening the power of the group in the making of agreements with capital, or to unite the related groups of an industry for the purpose of developing class action, and to depend solely on this development to force concessions from capital without entering into contract with it.

Where capital is organized throughout an industry, as in mining and railroading, the organization of the workers along industrial lines offers obviously the best opportunity for collective bargaining. But in such industries as building, where capital is divided by trades, there is no such obvious advantage in the industrial organization of the workers, as their bargaining must follow trade lines.

Where, however, the object of industrial organization is class action without intention or desire to contract with capital, it is not

important whether capital is organized on trade or industrial lines. The important consideration is the elimination of lines which divide labor interests.

The allegiance of the more highly skilled artizans to the trade form of organization is weakened as their position as craftsmen is weakened, that is, as machinery and management reduce the craft to a lower level of skill and artizanship. A craftsman quite naturally resists changes which accelerate the leveling of his trade to semi-skilled or common labor.

See also chapter v, Selection 5, Skill and the Machine; and chapter vii, Selection 8, Immigration and the Labor Market.

b) SOME ARGUMENTS FOR INDUSTRIAL UNIONISM[1]

There are two main arguments, either in itself sufficient, in favour of industrial unionism. But both these arguments hold good only on an initial assumption.

The first argument is that industrial unionism provides the stronger force to use against the capitalist. Advocates of industrial unionism always point out that against the mass formation of capitalism a mass formation of labour is needed, that craft unionism has not the strength to combat the vast aggregations of capital, that it leads essentially to dissension in the workers' ranks, that it enables the employer to play off one set of workers against another, and so to strengthen the capitalist organization of industry. These arguments are overwhelming in force, if, but only if, trade unionism is regarded as a class movement based upon the class struggle. If it is not, may not the skilled worker be right to fear alliance with the man farther down, and may he not see more hope for himself in holding the unskilled worker under, and thereby preserving his own monopoly of labour?

Jack London in *The Iron Heel* and H. G. Wells in *The Sleeper Awakes* have both envisaged a state of society in which capitalism has triumphed for the time by buying over the skilled workers to its side, and with their help exploiting the unskilled the more securely and completely. Far be it from me to say this, or anything like it, is in the mind of the craft unionist today; but it is, I feel, the logical outcome of craft unionism. If the skilled workman so much needs protection from the man beneath him that they cannot organize

[1] Adapted with permission from G. D. H. Cole, *Self Government in Industry*, pp. 130–32. (G. Bell & Sons, Ltd., 1918.)

together against capitalism, is it so long a step for him to ally himself with capitalism, and to sell his class for security and better conditions under capitalism?

The second argument is no less fundamental, and it again rests on an assumption. If the purpose of trade unionism is merely protective, if it exists only to maintain or improve conditions of employment within the wage-system, then there is no case for one form of organization rather than another. We can decide as expediency may suggest. But if the purpose of trade unionism is a bigger and finer thing than the mere protection of the material interests of its members; if, in fact, trade unionists have set before themselves the positive aim of winning, through their unions, self-government in industry, there can be no doubt about the right structure. Clearly, craft unions, based on process and not on product, cannot make any effective claim to control industry. Only an industrial union, embracing the whole personnel of an industry, can assume control over that industry.

c) AMALGAMATION PROPOSAL FOR THE RAILWAY UNIONS: THE RADICAL VIEW[1]

i. The Force-to-Meet-Force Argument

The supreme need of railroad men at the present time is a consolidation of our many labor organizations into one compact body. The power of the companies has become so enormous, their solidarity so intense, and their greed so voracious, that the prevailing type of federated craft unionism is no longer able to cope with the situation.

As I write this [March, 1921] the companies are making a great drive to crush the unions and to force us down to serfdom. Some time ago they secured the passage of the infamous Esch-Cummins Law limiting the right of railroad men to strike; and now they are before the Railroad Labor Board demanding the abolition of the national agreements, reductions in wages, lengthening of the workday, reinstatement of piecework and a general return to pre-war slavery. Considering their high-handed methods it will be strange indeed if the situation does not wind up in a terrific strike. For this threatening struggle railroad men should be prepared with the strongest, closest-knit organization possible. The only protection the workers have had from the most savage exploitation is our trade unions. These organ-

[1] Adapted with permission from William Z. Foster, *The Railroaders' Next Step*, pp. 1–2, 39–43. (Trade Union Educational League, Chicago.)

izations have achieved results entirely upon the basis of the amount of power they have been able to exert. The railroad owners can appreciate no other argument than that of might.

ii. The Matter of Non-Railroad Affiliations

In working out an amalgamation project for the railroad industry, consideration must be given to the very important fact that the unions therein divide into two distinct classes: (1) those whose membership is confined entirely, or practically so, to the railroads; (2) those that have large bodies of members in other industries. Of the first class, or purely railroad unions, are the Engineers, Firemen, Conductors, Trainmen, Switchmen, Carmen, Telegraphers, Clerks, Signalmen and Maintenance of Way Workers, ten in all. Of the second class, or semi-railroad unions, are the Machinists, Blacksmiths, Boilermakers, Electrical Workers, Sheet Metal Workers and Stationary Firemen—six in all.

Now a special problem arises from the fact that amalgamation would affect these two classes of unions very differently. In the case of the purely railroad organizations the matter is comparatively simple. Their whole membership would be involved and they would simply merge completely with the industrial union. But with the semi-railroad organizations the matter is much more complex. Only that portion of their membership working upon the railroads would be affected, and an unmodified amalgamation project would oblige them to surrender these large sections of members to the industrial union.

But it might just as well be recognized at the outset that the six semi-railroad unions would never agree to that—at least not within measurable time. In trade union practice all over the world it is found that while it is feasible, although difficult, to get unions to merge together completely, it is next to impossible to induce one organization to surrender any considerable part of its members to another. This would especially be the case with our six semi-railroad unions. Deeply imbued as they are with craft union principles, and accustomed to fight bitterly over the control of a man or two, they could be depended upon to fight to the last ditch against giving up such large portions of their membership to the industrial union. They would wreck any amalgamation proposition based on such a program.

However, there is a way out of the difficulty. It lies in a modified amalgamation. As the basis of their refusal to give up their members, the six semi-railroad unions would argue with great weight that the mechanics have not only an industrial interest as railroad workers,

but also a craft interest as tradesmen. They would contend that the machinist or boiler maker who is now working on the railroad may be working next week at his trade in some other industry; and that, consequently, he has a direct interest in maintaining good conditions for his craft in all industries, and a moral obligation to belong to the organization that is doing that work. Whether right or wrong, this contention would have to be met, and it could only be met successfully by giving the men involved a double affiliation to correspond to their double interest. That is to say, the shop mechanics would at once be affiliated to the railroad industrial union and also to their respective craft unions. The two unions would divide between them the control over these classes of workers, each organization reserving the functions necessary to its proper working. Likewise, they could apportion the dues and per capita according to the services rendered by each organization.

d) ECONOMIES EFFECTED BY INDUSTRIAL FORM OF ORGANIZATION[1]

Further advantages of organization would result from large financial economies. As things now stand, the waste in handling the business of railroad workers is enormous. Duplication of effort occurs to an unbelievable extent. The sixteen groups of officials run over the country without regard to each other. Often local unions of one organization are allowed to fall to pieces for want of attention while at the same time a half dozen paid organizers of the other trades are in the locality and not overburdened with work.

Each of the sixteen organizations holds its own convention at enormous expense. With often as high as two or three thousand local union delegates in attendance (most of whom look upon such affairs as mere vacation trips) the cost runs from $100,000 to $500,000 apiece. The natural result of such absurdities is that conventions are becoming fewer and fewer. But with a general industrial union, there would be only a few hundred delegates in attendance, and they would be there for business.

e) THE AMALGAMATION OF RELATED TRADES[2]

While the radical industrial unionists, who favor combining all crafts, skilled and unskilled, in an industry, have been engaged in controversy with the conservative trade autonomists who oppose this

[1] Adapted with permission from William Z. Foster, *The Railroaders' Next Step*, pp. 43–44. (Trade Union Educational League, Chicago.)

[2] Adapted with permission from Theodore W. Glocker, "Amalgamation of Related Trades in American Unions," *American Economic Review*, V (1915), 554–75.

policy, a gradual evolution has been taking place in consequence of which craft unions are disappearing. Of 133 national unions, most of them affiliated with the American Federation of Labor, only twenty-eight may be called craft unions, if by a craft we mean work requiring identical skill and training. Nor do these figures tell the whole story, since about one-half of the twenty-eight craft unions are co-operating through loose alliances with other related trades in the same industry. Yet the disappearance of the craft union does not necessarily prove the ultimate victory of the industrial union. Only five of the national unions claim jurisdiction over all trades in an industry. The remaining 100 are of an intermediate type. They unite only part of the trades in an industry. We shall call them amalgamations of related trades.

The number of such amalgamations has increased greatly since 1894. Between 1894 and 1904 the various unions of boot and shoe workers coalesced, as did also those of the hatters and of the textile workers; the union of furniture workers combined with that of the machine woodworkers; the Iron Molders' Union absorbed the coremakers; and the union of coal-hoisting engineers was merged into the United Mine Workers. The period witnessed the rise of the Amalgamated Meat Cutters and Butcher Workmen with its minutely subdivided groups of workers, skilled and unskilled, in the meat-packing houses. During this decade, also, the United Brewery Workmen, the United Mine Workers, and the Western Federation of Miners embarked on their policy of industrial unionism and attempted to bring into their organizations all kinds of workers in the industry.

During the ten years since 1904 the movement toward amalgamation of related trades has been accelerated by the rise of the Industrial Workers of the World. The growth of these has undoubtedly stimulated the American Federation of Labor to pursue a more liberal attitude toward trade amalgamation. The dominant faction in the American Federation of Labor favors the amalgamation of closely related trades, but are inclined to broaden very slowly their interpretation of the words "closely related." They have been especially reluctant to encourage the absorption of unskilled workers by an organization of the skilled.

Should the amalgamation of related trades include all or only a part of the crafts in an industry? Should the government by which such related trades are united be a centralized amalgamation, or should it be a loose alliance or federation? To answer these questions

we must consider the kinds of related trades which have tended to unite.

An important reason for uniting a group of related crafts has been the need of co-operating to maintain strikes against a common employer. Without co-operation between the related crafts in an industry, the members of other trades, in order to keep the plant in operation and thus remain employed, frequently do the work of the strikers or instruct nonunionists how to do it. Thus, in times past, locomotive firemen have run engines during strikes of locomotive engineers. Undoubtedly, unions would be able to bargain much more effectively for better working conditions if the agreements or contracts of all trades in an establishment expired at the same time, if the demands of the several trades were presented jointly to an employer, and if a refusal to comply with these demands caused every employee in the establishment to quit work.

On the other hand, strikes of a single trade are unfair to the other related trades since they can often shut down a large plant and throw out of employment hundreds of workmen who have no voice in the matter. One reason why the International Typographical Union wishes to retain control over the machinists in the printing office is because a strike on their part may abruptly halt all activities and throw the other workers out of employment.

Another reason for amalgamation and federation of related trades is the movement of workers from one craft or division of a craft to another. The ranks of the locomotive engineers are replenished from the locomotive firemen. A railroad brakeman may become later a railroad conductor. Many carpenters and cabinetmakers enter the craft of patternmaking. Under such conditions the various groups of workers must combine to control the supply of the labor in the industry and to prevent disastrous competition for employment between members of different unions. The combination of related trades solves also the difficulty created by the refusal of journeymen who change their trade to sever their connection with the union of their former craft in order not to lose the right to its sick, death, and other benefits.

Another advantage of amalgamation and federation of related trades is that it reduces the number of jurisdictional disputes concerning the right to do certain work.

An objection to trade amalgamations is that while related crafts have many interests in common, they have other interests which may

directly conflict. This difficulty is increased when one trade outnumbers all the others added together, since the group having the majority is apt to use the amalgamation to further its own concerns at the expense of the others. Thus, in the United Association of Journeymen Plumbers, Gas Fitters, Steam Fitters, and Steam Fitters' Helpers, the gas-fitters and steam-fitters complain that they are outvoted by the plumbers. They declare that most of the funds are expended in behalf of the plumbers, and that most of the legislation adopted is favorable to that trade.

This weakness of the trade amalgamation has arisen largely from the failure to provide in its form of government for the fact that it is a *federation* of distinct groups. When identity of interest is slight and divergence or conflict of interest is great, some loose form of federation or alliance of semi-independent craft units may be desirable. Amalgamations and federations of related trades may be divide broadly into (*a*) those combining trades working for the same employers and (*b*) those combining trades working usually for different employers.

Trades producing materials and tools have few interests in common with those using them. Co-operation by means of sympathetic strikes is the only way by which such widely separated trades may help one another, and the expediency of even this form of co-operation seems doubtful. In the first place, strikes in behalf of such remotely related trades are held in much disfavor by the public. Moreover, the employers consider that they have been treated very unfairly when their employees, to whom they have granted favorable terms, strike in behalf of a trade with which neither party has any personal relations. Combination between such remotely related trades seems undesirable. If they do attempt to combine, federation or merely a written agreement would be preferable.

1. The first essential, then, for a successful combination of related trades is, that such trades *have the same employers*. If, in addition, such a combination admits neither auxiliary trades nor unskilled workers, its desirability will not be questioned by trade union leaders. In fact, the only debatable question is whether such an organization should be a federation or an amalgamation.

2. The second question to be considered is whether the skilled and unskilled workers in an industry should be combined in the same organization. Undoubtedly the unskilled gain greatly from such an alliance. Organizations composed wholly of unskilled workers, such

as the International Brotherhood of Foundry Employees, the International Association of Glass House Employees, the International Hod Carriers' and Building Laborers' Union, and the International Association of Blast Furnace Workers and Smelters, are practically impotent to improve the conditions of their members. Since their work requires little or no training, strikes are useless.

The constant tide of immigration into the United States makes any effective regulation of the supply of general laborers impracticable. Moreover, unskilled workers can be kept faithful to the union only with great difficulty. During unemployment, which is very frequent among them, they are expelled for failure to pay dues, for acting as strike breakers, or for selling their labor at less than the union scale of wages.

The chief hope of the unskilled workers rests in an alliance with the skilled, but the skilled gain nothing by such an alliance. On the contrary, such amalgamation entails a sacrifice, since it imposes on the skilled the obligation of fighting battles in behalf of the unskilled. The keynote of the dominant unionism has been self-interest. The consistent pursuance of this policy by the American Federation of Labor and its constituent international unions has made them succeed where the Knights of Labor, with its altruistic ideals of brotherhood, failed. Following this policy, the skilled trades have refused to unite with the unskilled.

There are aristocracies even among the aristocrats. Certain trades, whose members possess a higher degree of efficiency and training than do their fellow employees, have refrained from entangling alliances. The exclusiveness of the locomotive engineers has undoubtedly helped to prevent the successful federation of all railway employees. The bricklayers have held aloof from local and national federations of the building trades. The marine engineers have refused to affiliate with the International Seamen's Union. Years ago the window-glass blowers were reluctant to amalgamate with the less skilled window-glass cutters. Today the situation is reversed. The introduction of machinery has greatly reduced the skill of the blowers, and the cutters, who now possess the greater skill, have seceded from the amalgamation of window-glass workers to form an independent organization.

Nevertheless, as division of labor becomes more minute, as the old method of apprenticeship fails, and as the groups of skilled and semi-skilled are being recruited in an increasing number of instances

by the promotion of the common laborers required for the many odd jobs existing in every industrial establishment, the other trades are manifesting a growing tendency to admit such potentially dangerous competitors to their unions.

f) THE CREATION AND FUNCTIONING OF LOCAL TRADE COUNCILS[1]

The community of interests in the building trades prompted the formation of building trades sections or building trades councils in various cities. In some places these councils worked in harmony with the local federation as part of the central labor union. In other places, either the city federation made no provision for allied trades sections, or the trades councils preferred to remain independent. Where the central labor union and the trades council were entirely disconnected, disputes frequently arose over the respective jurisdictional claims of the two bodies.

The national federation of these local councils was the result of a corresponding development in the building industry itself, viz., the rise of large contractors who extended their activities to many important cities. Many workmen in the building industry no longer depended exclusively on their home city for a livelihood, but found it necessary to travel from place to place. To meet these new conditions a national affiliation of trade councils was proposed and finally effected, with only loose powers, however.

3. THE WORKSHOP AS THE LOCAL[2]

Active trade unionists have long lamented the lack of interest among their fellows in trade union branch meetings. The branch meetings are usually, except on the occasion of some general forward movement, ill-attended, and serve in the main only as places at which contributions can be paid. The members of the branch have in common one with another their membership of the same trade or industry; but, apart from general trade questions, they have few common preoccupations or problems. They work, as a rule, for various employers, and the employees of a single firm are scattered in a large number of distinct unions and branches.

[1] Adapted with permission from William Kirk, *National Labor Federations in the United States*, pp. 80–83. (Johns Hopkins University Studies in Historical and Political Science. 24th Series, September, 1906.)

[2] Adapted with permission from G. D. H. Cole, *Self-Government in Industry*, pp. 138–41. (G. Bell & Sons, Ltd., 1920.)

The true basis of trade unionism is in the workshop, and failure to realise this is responsible for much of the weakness of trade unionism today. The workshop affords a natural unit which is a direct stimulus to self-assertion and control by the rank and file. Organization that is based upon the workshop runs the best chance of being democratic, and of conforming to the principle that authority should rest, to the greatest possible extent, in the hands of the governed.

Instead of the "residence" branch, let us have the "works" branch. Let large works be split, where necessary, into more than one branch, and small works be combined into a single branch; but let the general principle of organization be that of the "works" branch. Then the shop stewards[1] will become the branch officials, and the shop stewards' committee the branch committee. The district committee, consisting as now of delegates from branches, will then consist, as the unofficial committees do today, of the leading shop stewards drawn from the shop branches. The unofficial workshop movement will have been taken up into, and made a part of, the official machinery of trade unionism.

Should we be better off if this came to pass? I think we should, for two reasons. In the first place, the rank and file would be far better equipped for taking into their own hands the direction of policy, and for controlling and guiding their leaders; and, in the second place, the trade union movement would have received a new orientation in the direction of control.

It is certain that, where workshop organization is strongest, the trade union demand for the control of industry is also strongest. The natural striking point for trade unionism is the workshop, and it is in the workshop that the most advanced demands will be formulated, and by workshop action that the greatest concessions will be secured. If we want trade unionism to develop a positive and constructive policy, it is in and through the workshop that we must organise; for there alone will constructive demands be made.

The present organization of trade unionism was suited to the movement in its negative and critical stage. But as soon as trade unionists set before themselves the object of supplanting the employer in the control of industry, they must take the works as their basis of organization, and strain every nerve to win in the workshop and the works a direct control of production.

[1] I.e., local plant representatives of the different trades unions.

4. THE INTERNATIONALS' CONTROL OF THE LOCALS[1]

The present dominance of the national union in American labor is based upon the steadily increasing control exercised by the national unions over the local unions. This development presents two aspects: (1) the increasing control over the locals already in the organization, (2) the pressure upon unaffiliated locals to join the internationals which have jurisdiction over their crafts.

The increase in the degree of control over the affiliated locals has been due to a variety of causes, chief among which are the establishment of nationally administered beneficiary features, the financing of strikes by the national unions, and the negotiation of national agreements with employers. These extensions of activity on the part of the national union have necessitated an increasingly stricter control by the national union over its affiliated local unions, which has exhibited itself in many ways, such as the national regulation of admission requirements, the national control of strikes, and the adoption of national working rules.

The national unions have exerted pressure on the unaffiliated unions by discriminating against their members who seek work in other cities, and wherever practicable by establishing rival local unions. The national unions, moreover, have used their increasing control of city federations and the local trades-councils to force the independent unions to affiliate. The result has been that American local trade unions are connected with some national union probably more generally than the local unions in any other country.

5. CITY FEDERATIONS OF LABOR

a) THEIR FIELD OF ACTION AS VIEWED BY A FRIENDLY CRITIC IN 1899[2]

Organization.—The organization of municipal federations of labor is a strong sign, not only of the power of organized labor, but also of the growing wisdom of labor leaders. The city is the natural, proper, and convenient sphere of action of organized labor. The greatest number

[1] Adapted with permission from G. E. Barnett, "The Dominance of the National Union in American Labor Organization," *Quarterly Journal of Economics*, XXVII (1913), 457–58.

[2] Taken with permission from William M. Burke, *History and Functions of Central Labor Unions*, pp. 42, 43. (Columbia University Studies, 1899.)

of laborers is already found in cities, large and small, and the tendency is toward a still greater concentration of these centers. There are practically no labor unions outside of the cities, as the natural result of the paucity of skilled laborers of any one craft in the villages, towns or country.

The sympathetic strike and the boycott are the two most powerful weapons for offense or defense possessed by labor unions, and neither of these can be used to advantage where some central organization does not exist. The most successful central labor bodies, as will be seen later, are those which most frequently use these weapons.

b) SOME SHORTCOMINGS OF CITY LABOR FEDERATIONS AS VIEWED IN 1899[1]

At best, central labor unions are only loose federations with no really binding laws to hold them together. The sole penalty attaching to a failure of a local to abide by the decision of the majority in the central is that it loses its standing in the federation. The body itself cannot force any local to abide by a decision or contract. In fact, as employers understand this quite as well as the trade unionist, it is impossible for a general central labor union to do any collective bargaining. Unless a radical change should take place in the organization of central bodies, there is little hope that they will be able directly to undertake this most fundamental function of trade unionism.

There are certain well-defined dangers and faults peculiar to central labor unions. A lay member of a strong central union, himself a keen observer, writes: "Jealousy, or a desire to pull a man down as soon as he seems to be getting a little higher than the common herd, is one of the things which prevents the central union from doing better work." A struggle for some petty office will take up the time and attention of the whole union.

The central labor union has no definite policy in regard to questions which it may discuss, except the very general idea that "everything concerning labor" has a place in its deliberations. In undertaking a variety of burdens the energies of the organization are dissipated. The time for discussion of legitimate questions is all too short at most. What is true of all popular bodies is especially true of this one. Its action is impulsive and spasmodic.

[1] Taken with permission from William M. Burke, *History and Functions of Central Labor Unions*, pp. 118, 122–24. (Columbia University Studies, 1899.)

c) PRESENT SUBORDINATION OF CITY AND STATE FEDERATIONS TO THE NATIONAL UNIONS, AS DESCRIBED IN 1913[1]

According to the original constitution of the Federation the national unions were allowed one delegate if their membership was less than 400, two delegates if 4,000, three if 8,000, four if 16,000, five if 32,000 and so on. Each local trades assembly or city federation was allowed a single delegate. In several of the sessions of the Federation prior to 1886 the voting strength of city federations and local unions was greater than that of the national unions.

In 1886, when the Federation assumed its present title—the American Federation of Labor—the basis of representation was altered so as to exclude from representation all local unions of trades in which national unions existed.

A year later, in 1887, the national unions made their control of the Federation unassailable by the provision that each delegate, except those of city or state federations, might cast one vote for every one hundred members which he represented. The representatives of city and state federations were allowed, as before, only one vote.

By these changes the national unions were given an overwhelmingly large voting power. Moreover, it has become customary for the national unions to send as part, at least, of their delegation, important officials of the national union. The sessions of the Federation are thus to a very considerable extent councils of the executives of the national unions.

Throughout the whole period since 1886 the national unions have been more and more firmly resolved that the trade union movement should not be transformed into that semipolitical form which has always characterized it when the city federation and local union have had control of the national federation.

The control of the A.F. of L. by the national unions has not only been important in itself, but through the Federation the national unions have acquired such control as they now have over the city federations. In every time of labor unrest since 1827 city federations —known variously as trades unions, workingmen's assemblies, district assemblies, or central bodies—have come into existence in the chief industrial centers. In the earlier periods of American trade union history these organizations called sympathetic strikes,

[1] Adapted with permission from G. E. Barnett, "The Dominance of the National Union in American Labor Organization," *Quarterly Journal of Economics*, XXVII (1913), 461–74.

declared boycotts, and sustained strikers with financial aid. With the increasing centralization of the national unions it became intolerable that their policies should be interfered with by local federations.

The A.F. of L. has consistently required the city federations to maintain the principle that every local union should, if possible, be connected with a national union. The city federations, governed largely by local considerations, if left to themselves would frequently have offered aid and comfort to seceding and independent unions.

The national unions have also gradually evolved a code of rules to be followed by the city federations in the conduct of their affairs. These rules relate to the boycott, to assessments for strikes, and to interference in collective bargaining—fundamentally important activities of the city federation.

The initiation and support of boycotts has always been one of the chief functions of the city federation. Comprising representatives of unions of all trades, the power of the city federation as a boycotting instrument has been very great.

In 1901 a provision was inserted in the constitution of the American Federation of Labor forbidding city federations to originate boycotts and requiring them before indorsing boycotts proposed by local unions to investigate the matter and to effect if possible an amicable settlement. On several occasions city federations have been forced, on complaint of national unions, to call off boycotts.

The assessment of local unions by city federations for the support of strikes has been the occasion of frequent complaint by the national unions. The stronger national unions finance their own strikes, and they strongly object to having their members required to support the strikes of local unions whose national unions are unwilling or unable to pay strike benefits. In some cases, however, it is permitted.

Finally, the national unions have strongly resented the uninvited interference of city federations in the negotiations between local unions and employers. In 1898 a section was added to the constitution of the Federation which provided that a city federation should not have authority to order a strike of any local union without the consent of the national union. In 1906 an additional section provided that a city federation must take no part in "the adjustment of wage contracts, wage disputes, or working rules of local union. . . . ." without the consent of the national union.

From the foregoing survey it will be seen that from the standpoint of the stronger national unions the city federations are merely the

means of making more effective the boycott, of carrying on the propaganda for the union label, and of taking such political action as the needs of the labor movement may require. The less centralized national unions would be willing to make the city federations more important. Particularly is this true of many of the unions in the building trades.

PROBLEMS

1. What is the difference between a trade union and a fraternal order composed of workingmen? Can you give any illustrations of fraternal bodies that have become trades unions? How do you account for the transition?
2. What is a national union? What are its general powers over its constituent locals? What powers do the rank and file have over it? Illustrate.
3. What are the city federations of labor? Of whom are they composed? What functions do they perform and what powers do they possess? Compare the influence of the city federations with that of the national and international unions in the A.F. of L. How do you account for it?
4. At a recent convention of the A.F. of L. a rule was passed prohibiting any central labor council from calling any locals out on a sympathetic strike and reserving all such power for the international unions. Why was such a rule passed? Do you approve of it? Why or why not?
5. The constitution of the A.F. of L. provides that "No central labor union shall admit or retain in their councils delegates from any local organization that owes its allegiance to any other body hostile to any affiliated organization or that has been suspended or expelled by or is not connected with a national or international organization of their trade herein affiliated under penalty of having their charter revoked subject to appeal to the next convention." Why do you believe such a rule was passed? What effect does it have?
6. What are the state federations of labor? Of whom are they composed? What are their functions and powers?
7. It has often been remarked that city and state federations are much more radical than the majority of the international unions. How do you account for this?
8. What is the difference in membership between a craft union, an industrial union, and "the one big union"?
9. Compare the structure of trade union organization in the coal mines, the steel mills, the packing houses, the building trades, (*a*) under craft unionism, (*b*) under industrial unionism.
10. How do you account for the fact that the union movement in the main started on a craft basis of organization? In what ways has the organization of industry changed since then and what specific effects do you believe this has had and will have upon the form of union structure?

11. In the printing trades, it is generally necessary for the local unions to secure the consent of their respective international unions before they can strike, while this is not necessary in practically all of the building trades unions. How do you account for this? Why is the control of the national unions over the locals generally quite weak in the building trades?
12. Why should an international union desire to exercise control over the wage or strike policy of locals?
13. Through what agencies are the international unions able to bring pressure upon the local unions?
14. Why do some opponents of the policy of the existing international unions advocate the abolition of strike funds, sickness, accident and death benefits?
15. There was formerly only one union in the printing industry—the International Typographical Union. There are now separate unions for the following crafts: compositors, pressmen (in turn with frequently separate locals for the pressmen proper and for the press-feeders), book-binders, photo-engravers, electrotypers, stereotypers. How do you account for this splitting up of a former industrial union into a series of craft unions? Is the same tendency apparent in the building trades? Is this the general process of industry? Why or why not?
16. Can you give an American illustration of material trade unionism?
17. What two definitions are sometimes given for industrial unionism? What is the difference between these in practice? In the steel strike of 1919, among the craft unions which participated in the organization work and the strike were the International Seamen's Union, the Brotherhood of Electrical Workers, and the United Mine Workers. Why did they participate? Suppose the steel industry was to be organized industrially. Would these organizations merge into the new union? Why or why not?
18. "Craft unionism results in union men being called on to 'scab' against their brothers in other crafts. The employers use one union to fight another." What is meant by this statement? What grounds are there for it?
19. Why are most of the skilled craftsmen generally either opposed to or lukewarm toward industrial unionism? What would be the attitude of the unskilled and why?
20. Why are the "radicals" in the labor movement generally in favor of industrial unionism and why are the "conservatives" generally opposed?
21. What is meant by a "jurisdictional dispute"? Give illustrations. How do they arise and what provisions are made for their adjudication? Would jurisdictional disputes be greater under a craft form of organization or under an industrial form? Why?
22. What would be the difficulties of industrial unionism if applied to the building trades? Why?

23. What tendencies toward the amalgamation of related trades under specific unions do you see? Does this indicate a shifting from the craft to the industrial basis of organization? Why or why not? How far can such a movement go under the present constitution and composition of the A.F. of L.? Why?
24. Describe the various city federations of related trades and give illustrations. What are their powers? How do they differ from industrial unions? Why were they created? What power do the constituent unions retain?
25. What are the departments in the A.F. of L.? Why were they created and what functions do they perform? What power do the constituent international unions retain?
26. Would an industrial union be able to work out the details of the trade agreements in the various crafts in an industry as well as a group of trade unions, each representing a craft or a series of allied crafts? Why or why not?
27. Should craft interests be represented in an industrial union? How could they be so represented? Work out some specific plans in detail.
28. Which do you believe will become the dominant form, the craft or the industrial union? Justify your opinion in detail.
29. What would be the ability of "the one big union" to negotiate specific trade agreements?
30. What is the local union? Of whom is it composed? Where does it generally meet and why?
31. What is meant by "the workshop local"? Does this mean meeting in the workshop? If you were a unionist would you favor holding meetings in the workshop? Why or why not? Would the workshop local incline toward industrial unionism or craft unionism? Why?
32. What would be the probable effect of the workshop local upon the attendance at union meetings? Why? Upon the unions moving for the control of industry rather than as bargaining agencies for the sale of their labor? Why?
33. How possible is it to use the workshop as the local: (*a*) in the steel industry, (*b*) the men's clothing industry, (*c*) the trucking industry, (*d*) the building trades, (*e*) in blacksmithing, (*f*) in the barbering trade? Why?
34. What is a "business agent," "a walking delegate"? How is he generally chosen? From what class is he recruited? Do the workers need such representatives?
35. Who is the shop steward or shop chairman, and what are his general duties? Is he preferable to the business agent? Why?
36. Select some specific trade union and ascertain the powers possessed by the full-time salaried officials and account for them. How do you account for the differing powers of these officials: (*a*) in the building trades, (*b*) in trucking, (*c*) in the textile industry?

37. Point out the unaccustomed strains and temptations to which the workingman raised to a full-time salaried position as a union officer experiences.
38. By what methods could the unions improve the quality of their representatives?
39. How can the rank and file retain the control of fundamental policy and yet enjoy the service of technical experts?

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CHAPTER XX

UNION POLICIES AND METHODS

1. TRADE UNIONS AS THE AGENCIES FOR COLLECTIVE BARGAINING[1]

In all spheres of activities in which employer and citizens generally have any matter in which their interests are involved, they not only avail themselves of appearing by counsel of their own choosing, but they are guaranteed that right by the Constitution. The claim of the workers is founded upon the same principle—the right to be represented by counsel.

Collective bargaining in industry does not imply that wage earners shall assume control of industry, or responsibility for financial management. It proposes that the employees shall have the right to organize and to deal with the employer through selected representatives as to wages and working conditions. Among the matters that properly come within the scope of collective bargaining are wages, hours of labor, conditions and relations of employment; safety and comfort regulations.

Q.: How is this accomplished?

A.: The employees in their union appoint a committee to draw up new wage scales and working conditions. These are reported to the union for consideration. Then in regular meeting each question is taken up and discussed from every angle. Finally the union agrees upon a wage scale and working conditions to submit to the employer. A committee for this purpose is selected which meets the employer or his representative and discusses the desires of the employees collectively through their union.

Q.: Does this committee have full power to act?

A.: No. It must report back to the union. If the report is satisfactory, the union approves and an agreement for a stated period is signed by both parties. If unsatisfactory, further conferences with the employer are held until an agreement is reached.

Q.: Can unorganized employees bargain collectively?

A.: Not with a certainty that they will be treated fairly.

Q.: Why?

[1] Adapted with permission from a pamphlet by Samuel Gompers, "Collective Bargaining." (American Federation of Labor, Washington, D.C., 1920.)

A.: Men employed as individuals always retain the fear that they are to be discharged whenever the employer sees fit. Each is suspicious of the other. Therefore when the unorganized employees all meet together to decide what they shall ask the employer, they become cowardly for fear some other employee will report them.

2. THE STANDARD RATE

a) A STATEMENT BY THE WEBBS[1]

Although the standard rate is a minimum, not a maximum, the establishment of this minimum necessarily results in a nearer approximation to equality of rates than would otherwise prevail. Trade union officials who have had to construct a piecework list, or to extend such a list from one shop to the whole town, or from one town to the whole trade, know that in order to secure a standard list of prices, they have had to pare down the rates hitherto enjoyed by particular shops or even particular towns.

This conception of a standard rate is, as we need hardly explain, an indispensable requisite of collective bargaining. Without some common measure, applicable to all the workmen concerned, no general treaty with regard to wages would be possible. This conception of a consistent standard of measurement the trade union seeks to extend from establishments to districts, and from districts to the whole area of the trade within the kingdom.

This trade unionist insistence on a standard rate has been the subject of bitter denunciation. The payment of "bad and lazy workmen as highly as those who are skilled and industrious," "setting a premium on idleness and incapacity," "destructive to the legitimate ambition of industry and merit," that "worst kind of Communism, the equal remuneration of all men," are only samples of the abusive rhetoric of capitalists and philosophers on the subject.

Such criticisms are beside the mark. A very slight acquaintance with trade unionism would have shown these writers that a uniform standard rate in no way implies equality of weekly wages, and has no such object.

The misapprehension arises from a confusion between the rate of payment and the amount actually earned by the workman. What the trade union insists on, as a necessary condition of the very existence of collective bargaining, is a standard *rate* of payment for the work

[1] Adapted with permission from Sidney and Beatrice Webb, *Industrial Democracy*, pp. 280–85. (Longmans, Green & Co., 1914.)

actually performed. But this is consistent with the widest possible divergence between the actual weekly incomes of different workmen. Thus we have the significant fact that the standard rate insisted on by the great majority of trade unionists is, not any definite sum per hour, but a list of piecework prices. When the standard rate takes the form of a schedule of piecework prices, it is clear that there can be no question of equalising the actual earnings of different workmen. One basketmaker or one coalminer may be earning two pounds a week, whilst another, receiving the same standard rate and working the same number of hours, may bet less than thirty shillings.

Nor can it be assumed that in the industries in which the trade union rate is not based on piecework, but takes the form of a definite standard wage per hour, this necessarily implies equality of remuneration Even where workmen in such trades put in the same number of hours, their weekly incomes will be found to differ very materially. Thus whilst ordinary plumbing, bricklaying, and masonry is paid for at uniform rates per hour, directly the job involves any special skill, the employer finds it advantageous to pay a higher rate, and the trade union cordially encourages this practice.

We do not wish to obscure the fact that a standard rate on a timework basis does, in practice, result in a nearer approach to uniformity of money earnings than a standard rate on a piecework basis. Nor is there any doubt that a considerable section of the wage-earning class have a deeply rooted conviction that the conscientious, industrious, and slow mechanic ought in equity to receive no less pay than his quicker but equally meritorious neighbor; more especially as the normal earnings of even the quickest mechanic do not amount to more than is demanded for the proper maintenance of his household.

b) THE UNION RATE AND ACTUAL WAGES[1]

The standard minimum rate, as has already been several times noted, is in intent only a minimum, not a maximum. Union officials, in answer to the charge that the union wishes all members to be paid at the same rate, explain that the purpose of the union is to establish a rate below which no regular journeyman may go, and above which the employers are expected to grade the better man.

Provisions for payment above the minimum.—A small group of unions provide specifically for payments above the minimum. The

[1] Adapted with permission from David A. McCabe, *The Standard Rate in American Trade Unions*, pp. 100 ff. (Johns Hopkins Studies, Vol. XXX.)

wage system usually followed by the barbers has, for instance, both a minimum and a differential feature. The rates usually set include a minimum weekly wage, and a percentage, usually fifty, of all that the journeyman takes in over a certain amount. Some classes of drivers, notably milk drivers and brewery drivers, also stipulate in their agreements for a commission in addition to the minimum wage.

Union policy and the minimum.—On the other hand, there are in many unions policies or attitudes with reference to the relation of output and wages which discourage the payment of wages above the union minimum. The union rule or attitude in these cases does not have its origin in any opposition to the receiving of wages above the minimum. The prevention of "rushing" and of increasing the output expected of the average workman as "a day's work" is the direct end aimed at.

One union, the Stone Cutters, goes so far as to forbid any member receiving more than the other men on the same "job." The officers defend this rule on the ground that it is the only way to prevent a few men in return for twenty-five or fifty cents more a day from setting a swifter pace for the other and so increasing the day's output demanded for the minimum wage. A few unions have specific regulations against rushing or setting a pace. The result of this is that in trades where speed can be compared men do about the same amount of work, and payment above the minimum is usually for general competency or workmanship of a higher grade and not for speed.[1]

The union opposition to "premium" and "bonus" plans is also a barrier in the way of certain workers' obtaining more than the minimum rate. The essential feature of the "premium" and "bonus" plans is that the worker for extra output receives pay above his daily time rate. In some cases the extra pay is given if he exceeds a stipulated output, which is usually the average attained before the introduction of the plan; in other cases, the extra pay is given only if he reaches a specified output considerably in excess of the previous average output. The unions oppose the premium and bonus systems on two grounds. In the first place, the unions object to these systems because they are intended to stimulate the worker to exceed the amount he has been producing. This stimulus is especially strong when the bonus is paid only if a high specified output is reached, and systems with such a provision are particularly obnoxious from the

[1] The "rusher," the unions contend, relies simply on his physical strength to do a large amount of work of one kind, and usually is poor at other kinds.

union standpoint. The unions assume that the production of the increased output will require such an increase of effort and nervous strain as to injure the health of the workers. Moreover, it is feared that after a large output has been reached by some workers under the stimulus of the extra payments, the new output will become the task required from all, and that then the premiums or bonuses will be greatly reduced or withdrawn or offered only as a reward for still more intense effort, so that the daily tasks will have been considerably increased without an appreciable permanent increase in the daily rate. The second ground of opposition by the unions is that the worker is offered a lower rate per piece for the additional output than he has been receiving. It is for this reason chiefly that unions almost without exception prefer the straight piece system to premium or bonus systems.

Wages and efficiency.—Very little seems to be known as to the differences in efficiency among men engaged in the same kind of work. It is safe to assume, however, that even where the union does not discourage large outputs the better men do not receive additional wages commensurate with their superior capacity.

Of most time-working unions it can be said, however, that the variations in efficiency within the membership are not as wide as among men in the same trades outside the union. The mere insistence on a minimum rate which is intended to be almost as much, if not as much, as the average member can successfully demand, necessarily excludes from the union men much below the average of competency. Such men cannot obtain regular employment at the union rate, and it is consequently useless for them to retain union membership.

c) RATE GROUPING BY COMPETENCY[1]

The suggestion has often been made to time-working unions that instead of setting a single rate for all men engaged in the same kind of work they should divide their members into classes on the basis of competency and fix a separate rate for each class. The employers have urged that such a plan would remove the chief defect in the minimum rate, that is, the necessity which the employer is under of paying the less competent men the same rate as the good, average man. Within the unions the proposal has been advocated on the ground that it will allow the less proficient members to obtain work

[1] Adapted with permission from David A. McCabe, *The Standard Rate in American Trade Unions*, pp. 94–106. (Johns Hopkins University Studies, Vol. XXX.)

and at the same time make it possible to maintain a high minimum for the better men. This policy in rating has naturally been most strongly urged upon those unions in which the differences in efficiency among members doing the same work are very large.

The classification of men on the basis of differences in competency has not, however, commended itself generally to the unions.

The general rejection by the unions of the system proceeds from the belief that it tends to reduce wages through the competition of the more poorly paid with the better paid workmen. It is extremely difficult to assign members to their grades so exactly as to insure that some men shall not be given a lower rate by the union than the general run of members of the same capacity are required to demand. It is difficult, too, to insure that men of lower grades shall be transferred to a higher grade when their competency rises above that of their grade. The unions consider it a further objection that the maintenance of a rate or rates below the point at which a single minimum would be set makes for the retention in the trade of a class of inefficient or partially trained workmen.

The history of grading systems among the Stone Cutters illustrates the difficulties. The Stone Cutters at one time made wide use of the system of classifying men according to competency and setting a separate minimum rate for each grade. In the early nineties many local unions had more than one rate of wages for the same kind of work. The minimum was practically a maximum for all but their first-class men and very few of these received more than the minimum rate for their class. In many cases it was the expectation of the local union that those below the first class would be in the minority.

From about 1895 opposition to the plan of having "more than one rate of wages" steadily increased in the national union. At the time that New York adopted the three-rate system other local unions were reducing the number of classes from three to two or insisting on a single minimum rate. The chief ground of opposition was that men would work for less wages than their work warranted in comparison with that of their fellows. There was complaint that second grade men did more work in proportion to their pay than first grade men, and there was a tendency to limit the amount of work that second and third class men should be allowed to turn out. It was also charged that the system created jealousy and dissension in the membership. In November, 1899, a member of the national executive board urged that advantage should be taken of the approaching revision of the

constitution to abolish the "two rate of wages" system. He argued that every workman competent enough to be admitted to the union was a first class workman and that the local unions should base their rates on the assumption that every union member was a first class workman. When the constitution was revised in 1900 a clause was inserted that "this Association thoroughly discourages the principle of more than one rate of wages." Although some local unions continued to follow the plan for several years its practical abolition has been secured.

In some unions there are systems of rating which closely resemble grouping according to competency. Several unions allow young men just out of apprenticeship to work for three or six months or a year at a specified rate lower than the regular minimum.

By the creation of a separate class of "improvers" some unions have avoided the dilemma of either requiring the payment to a recognizedly incompetent man of the minimum rate or of excluding him from the union and forcing him to work for what he can get in competition with union men. These unions allow a small number of men below the level of competency and too old for an additional year or more of apprenticeship to become members as "improvers" and work a specified period under instruction for a lower rate. Improvers are found more frequently in the building trades than in any of the other groups. In most trades there is a feeling against them.

Nearly all unions permit members who have become unable to command the minimum rate because of old age or physical infirmity to work for what they can get. In very few local unions does the number of exempted men exceed 5 per cent of the membership, and the exemption is made on a much more ascertainable basis than competency.

d) THE NORMAL WORKING DAY[1]

In modern industry the settlement of the hours of labor differs in an essential particular from that of the rate of payment for the work done. In the absence of any form of collective regulation, the rates of wages are determined by individual bargaining between the capitalist employer and his several "hands" and a distinct and varying agreement as to the amount of remuneration is made with each operative in turn. This is seldom the case with regard to the length and distribution of the working day. . . . . Instead of each individual being able to work as he chooses, the whole establishment

[1] Adapted with permission from Sidney and Beatrice Webb, *Industrial Democracy*, pp. 325–34. (Longmans, Green & Co., 1914).

finds itself by the nature of things, subject to a common rule. In a textile mill, a coal mine, or a great building operation, it is economically impossible to permit the individual workman to come and go as he feels inclined. To arrange particular hours of labor to suit the varying desires, capacities and needs of the different operatives would be obviously incompatible with the economical use of steam power, the full employment of plant, or the highly organized specialization brought about by division of labor. There is no longer a choice between idiosyncracy and uniformity. A common standard, compulsory in its application, is economically inevitable. The only question is how and by whom the uniform rule shall be determined. Under the circumstances of modern industry, the employer's decision, because of his costly plant, will perpetually be biased in favor of lengthening the working day. If each workman is free to conduct what bargain he chooses with regard to his working hours, the employers will, it is contended, be able to compel all the others to accept the same longer working day.

Trade unionists, moreover, are convinced that unlimited hours have an insidious influence upon wages. When the hours are increased, say from fifty-four to sixty, it seems at first a clear gain to the men, who make more money. Presently the foreman announces a 10 per cent cut in rates. The men grumble but as most of them will now be making the same amount weekly as before, they will put up with it. The trade union official will put the argument in a more systematic form. When an employer engages a workman at so much a week, the length of the working day clearly forms an integral part of the wage contract. A workman who agrees to work longer time for the same money underbids his fellows just as surely as if he offered to work the same time for less money. He sells each hour's work at a lower rate. The same tendency to use the longer hours to reduce piece-rates is also present.

See also chapter vii, Section B, "Bargaining Factors."

3. THE CLOSED SHOP

a) CLOSED SHOP DEFINED[1]

A union labor interpretation of the term "the closed shop" as published in the official organ of the Bridge and Structural Iron Workers' Union is as follows:

[1] Taken with permission from Pamphlet 26, p. 140. (National Association of Manufacturers, 30 Church Street, New York City.)

"Closed shop," then, is the term for a shop, factory, store, or other industrial place where workmen cannot obtain employment without being members in good standing of the labor union of their trade.

This is demanded by the unions.

Objecting to working in co-operation with scabs, rats, strike-breakers, or other non-union workmen, they insist that the shop shall be closed against all employees who, not already belonging to the union of their trade, refuse to join it.

If the union is able to coerce the employer, or he is friendly enough to yield without coercion, this demand is granted, and that establishment is consequently a "closed shop."

But if the employer will not yield without coercion, and the union is unable to coerce him, then non-unionists may obtain employment and the establishment is consequently known as an open shop.

b) THE RIGHT OF ORGANIZATION AND THE RIGHTS OF THE UNORGANIZED[1]

The right of workingmen to organize themselves into societies for their mutual improvement and advancement has never been denied, and it should not be.

But the right of any class of citizens to organize into societies for the further purpose of compelling others either to join such societies or starve has always been denied, and always should be.

The Anthracite Coal Strike Commission says:

> The rights and privileges of non-union men are as sacred to them as the rights and privileges of unionists. The contention that a majority of the employees in an industry by voluntarily associating themselves in a union acquire authority over those who do not so associate themselves is untenable.
>
> Our language is the language of a free people and fails to furnish any form of speech by which the right of a citizen to work when he pleases, for whom he pleases, and on what terms he pleases, can be successfully denied.

The principle involved.—It should always be remembered that a principle is involved. A principle which is the very marrow of Christian life and upon which all individual effort and progress is based.

Every time an employer of labor willingly refuses a boy an opportunity to learn a trade because a labor union says the boy shall not have it, that moment he compounds a felony. When he refuses to deal in wares because a labor union has placed its brand of disapproval upon them, that moment he brands himself a coward and becomes unworthy of patronage of decent citizens.

[1] Adapted with permission from Pamphlet 26. (National Association of Manufacturers, 30 Church Street, New York City.)

Our government cannot stand nor its institutions endure if the Gompers-Debs ideals of liberty and freedom of speech and press are allowed to dominate.

Let there be no maudlin sentiment over this question of organized labor, and it will be but a short time before its militant temple will crumble.

Let the militant labor unions cut out the closed shop, restriction of apprentices and output, and give value for wages received.

Let them eliminate intimidation, coercion, and murder from their catechism.

Let them relegate the boycott to barbarism, and eliminate the picket.

Let them encourage, rather than prevent, personal effort as a means of personal advancement.

The purpose of a labor union should not be to quarrel with the natural law of economics, which is as irrevocable as the law of gravitation.

c) CLOSED SHOP AND OPEN SHOP TERMINOLOGY[1]

"Closed shops" and "open shops."—The common conception of the closed shop is that it is a shop in which non-union men cannot obtain or retain employment. It is generally thought that every union shop, i.e., a shop in which the union is recognized, is a "closed shop." Instances of union shop where no closed chop obtains are ignored and the term "recognition," "union shop" and "closed shop" are thought synonymous. By way of contrast, all shops that are not "closed shops" in the above sense, and do not involve recognition, are thought to be "open shops," the presumption being that they are open to both union and non-union men without discrimination. The presumption is too sweeping, for it ignores the instances of shops where discrimination works the other way—against union men. Investigation clearly shows that many so-called "open shops" are not "open" and many union shops are not "closed," and that this simple terminology of "closed" and "open" shop is confusing and inadequate.

A practicable terminology would begin with two large classes—the "union shop," in which the union is recognized and admitted to negotiations on behalf of the workmen, and the "non-union shop," in which the union is not recognized and is not admitted to such

[1] Taken with permission from Paul Studensky, *New Jersey*, VIII, 21–23. (New Jersey State Chamber of Commerce, Newark, November, 1920.)

negotiations; and it would subdivide each class into subclasses according as they are closed, preferential or open toward the union men or non-union men respectively and according to other important factors. At least nine kinds of shop can thus be indicated.

I. The non-union shop
  1. Closed anti-union shop
  2. Preferential anti-union shop
  3. Open non-union shop without shop committee
  4. Open non-union shop with shop committee

II. The union shop
  5. Open indirect union shop
  6. Open union shop
  7 Preferential union shop
  8. Closed union shop of an open union
  9. Closed union shop of a closed union

Non-union shops.—In the "closed anti-union shop" union men are not admitted except as a temporary expedient. They must give up membership to be able to obtain or retain their employment. The most apparent type of closed anti-union shop is that enforced by means of individual contracts, which the employees must sign before receiving employment, or a permission to remain, and which contain a clause forbidding membership in the union. But many shops are closed to union men also without such contract.

The "preferential anti-union" type is distinguished by the preference given to non-union men, with the result that the union men are kept in a minority. The lines of demarcation between the preferential and closed type are very slight. The employer in the closed anti-union shop would at times, when the danger of unionization grows slighter, lower the bars and change to a preferential policy; and, vice versa, a preferential anti-union shop would, when the union is engaged in an organizing drive, change to a "closed door" policy.

The anti-union shop of closed or preferential kind obtains in industries which have been or are being organized and where the employer is engaged in keeping the union out by aggressive methods. It is the "open shop" which is not open. The employer may want to maintain a true "open shop" and not discriminate, but he cannot do it, for if he did, if he permitted a large number of union men, and especially the active union men, in the shop and allowed the union, through them, to conduct its organizing work, he would soon have the majority, if not all, his men organized, a strike engineered and perhaps

union recognition from him secured. Thus, so long as the union exists in the industry and the employer seeks to keep it out of his shop, he must, all declarations and intentions to the contrary, maintain a policy of anti-union discrimination.

The most conspicuous anti-union shop is the one enforced not merely by the individual employer, but by the association of employers for the benefit of all association members. The association employment bureau, through which all hiring is done and which investigates and keeps the records of all applicants and employees and which culls out from among them the active union men and other undesirables, becomes one of the most prominent instrumentalities of anti-union discrimination. The anti-union shop is the usual type of "open shop" enforced by "open shop campaigns." The reason for this lies in the fact that the latter manifest themselves through a lockout of the union and require in the long run anti-union discrimination to safeguard the lockout and the policy of "non-recognition."

The "open non-union shop" is one in which, alongside with non-recognition, no discrimination is practiced. It obtains very largely in industries which have been little, if at all, organized. It obtains also, but usually as an exception or as a temporary condition, in industries where the union had or has some standing. In the latter cases it is due either to the exceptional intelligence of the management, which is able to forestall "recognition" without using crude coercion, or to the protection afforded it by the government, as for example, during the war, when, under the supervision of the War Labor Board and other agencies, the principle of "no discrimination" was imposed on both employers and the unions; or to the fact that the union has not yet started its organizing drive. Of its two subclasses, that provided "with shop committee" presents a more evolved type, for the shop committee affords an opportunity of limited collective bargaining and even indirect negotiation between the unrecognized union and the management through the delegates on the shop committee. The open non-union shop is the true open shop, only of non-union character.

Union shops.—Before starting with the discussion of the five forms of union shops, it may be well to point out that the first two forms which are "open" are prevalent in industries which are competitive only to a slight degree, if at all, and are fairly stable, whereas the "preferential" and "closed" union shops obtain pre-eminently

in highly competitive and fluctuating industries. There is a deep reason for this peculiar distribution which it is impossible here to discuss, but which gives a key to an understanding of the factors which stimulate one or the other form.

The "open indirect union shop" is one where the union is recognized only indirectly, as for example, through the instrumentality of a public agency which acts as the intermediary between the union and the employer, and where no discrimination is practiced. It is illustrated by the case of the packing industry in Chicago, where a three-cornered agreement obtains, the government making it with the packers on one hand and with the unions on the other. The two sides plead their case before the impartial tribunal, constituted by Judge Alschuler, who administers the agreement. They do not deal directly with each other.

In the "open union shop" the union is recognized and yet no discrimination either way is allowed. Prominent instances of the latter are the railways, where about 2,000,000 union men work under the rule of "no discrimination," with their unions generally recognized; many yards in the shipbuilding industry, of which the Bethlehem Shipbuilding Company is a conspicuous example; the Schenectady plant of the General Electric Company, employing over 20,000 workmen; the American Locomotive Company; some of the street railways and telephone companies; the anthracite mine fields; the Rochester clothing market; the United States arsenals and some other national, state and municipal works. In some of these instances the open union shop has been maintained for twenty, thirty years and even longer, without transforming into a closed union shop, and has proved so eminently satisfactory to the union that they emphatically declare that they do not want the "closed shop." The two types of union shop just described are true "open shops," only of union character.

The "preferential union shop" is distinguished by the fact that alongside with recognition a preference is tendered to union members. Non-union men can work in the shop, but they must be either better workmen than the union men or the union must be unable to furnish to the employer the needed quota of workmen. The arrangement is predicated on the consideration of the fact that the union men are parties to the agreement which stabilizes the industry, and ought, therefore, to receive preference. Conspicuous examples of this type are the Chicago Clothing Market, and especially the Hart, Schaffner & Marx establishment, where this arrangement has operated for the last ten years with eminent satisfaction to both sides and has not resulted in the "closed shop" condition. On the other hand, a conspicuous example of its failure and transformation into a "closed union shop" is afforded by its operation in the ladies' garment industry of New York City.

The "closed union shop" is what is commonly referred to as the "closed shop." It does not necessarily require that a man be a union man before he is hired. Very often the arrangement permits the employer to hire any man he desires, but the man must become a member of the union within a certain time, usually a week or two weeks. Men found guilty of serious offense against the union are not admitted to the union, and, therefore, cannot remain in the shop.

The closed union shop must be divided into two classes according as it is enforced by an "open union," which keeps its membership doors wide open, or by a "closed union," which keeps its membership doors fairly closed. The "open union" type of the closed union shop tends to eliminate destructive competition among the workmen by including the competitors in the union. The "closed union" type, on the other hand, tends to do it by eliminating the competitors from the industry. The former tends to extend the benefits of union standards to all the workmen, the latter to impose a special privilege upon a certain group. The former affords to the employer a wide supply of labor, the latter a restricted one.

A typical example of the closed union shop of an open union is the shop arrangement of the miners in the bituminous coal industry, the ladies' garment workers and the men's clothing workers in New York City. A typical example of the closed union shop of the closed union is the shop arrangement of the United Hatters (a highly skilled trade) and of various crafts in the building industry and some branches of the printing industry. Even the most conspicuous types of open and closed union maintain a certain degree of elasticity in the margin of their open or closed door, according as the times are "busy" or "slack." And between them are many unions with intermediate forms of "open" or "closed" door. Consequently, there are considerable variations in that respect as between various closed union shops. The closed union shop of the pure closed union represents the extreme point of union shop just as the pure closed anti-union shop represents the extreme of the non-union shop.

TABLE LXXXV

MAIN CHARACTERISTICS OF NINE TYPES OF UNION SHOP AND NON-UNION SHOP

Type of Shop	Union Status	Character of Industry in Which the Type of Shop Obtains	Character of Discrimination, if Any, and "Closed" or "Open" Door Policy, as Regard to Union or Non-union Men	Character of Domination, Sometimes Benevolent, Sometimes Malevolent, if Any, by the Employer or the Union and Character of Collective Bargaining, if Any
1. Closed anti-union shop	Nos. 1, 2, 3, 4 Non-recognition of the union	Nos. 1, 2 In industries which have been or are extensively organized by the unions or de-organized by anti-union employers' associations	Nos. 1, 2 Discrimination against union men: the closed or semi-closed shop of the employer (the "open shop" that is not open)	Nos. 1, 2, 3 Domination by the employer usually no collective bargaining for the employees, but collective bargaining for the employer
2. Preferential anti-union shop				
3. Open non-union shop without shop committee		Nos. 3, 4 Mostly in industries which have been little if at all organized	Nos. 3, 4, 5, 6 No discrimination against either union men or non-union men; in the former two types enforced by the employer, in the latter two enforced jointly by the employer and the union; a true open shop (not the one usually referred to) of non-union character in the former two cases of union character in the latter two	No. 4 Limited domination by employer (limitation self-imposed); collective bargaining for employer and limited collective bargaining for employees
4. Open non-union shop with shop committee				
5. Open indirect union shop	Nos. 5, 6, 7, 8, 9 Recognition of the union	Nos. 5, 6 Especially in those which are competitive only to a slight degree, if at all, and fairly stable		Nos. 5, 6, 7, 8, 9 Sometimes domination by the employer, sometimes by the union, sometimes where the power on both sides is fairly evenly balanced or where a powerful arbitration machinery obtains which administers justice irrespective of which side is more powerful, no domination by either; collective bargaining usually for both employer and the employees, but sometimes only for the latter
6. Open union shop				
7. Preferential union shop		Nos. 5, 6, 7, 8, 9 In organized industries	Nos. 7, 8, 9 Especially in those which are highly competitive and unsteady (seasonal)	
8. Closed union shop of an open union			Nos. 7, 8, 9 Discrimination against non-union men; the closed or semi-closed shop of the union	
9. Closed union shop of a closed union				

d) THE "OPEN" SHOP AS OPERATED BY ANTI-UNION MANUFACTURERS[1]

On January 21, 1921, a National Conference of State Manufacturers' Associations was held in Chicago. One of the principal objects of this conference was to forward a national open shop drive. The following letter appears in the proceedings of this convention:

"The factory of which I am the head has no difficulties in relation to labor. We have signs in every department reading as follows: 'This Is an American Shop Run on American Plan by Americans.' As soon as a person reads this sign he knows at once where he stands on Collective Bargaining, Closed Shop, Industrial Democracy and all of the other hot-air topics."

During the debate on the open shop one of the delegates, Mr. Gillette, made the following statement:

Mr. President, I suppose I am somewhat heretic. It is unpopular to say you don't believe in the open shop, but I confess I do not quite know what the open shop means. To my mind it is a good deal of a question of non-union shop or unionized shop, and *I hate to be a hypocrite under a resolution or anything else*, or to vote or declare in favor of open shop when my own policy is not to carry that out, but to hit the head of the radical in my shop whenever he puts it up.

I don't think it is a practical thing to do, but you can go on and you can declare from now until Doomsday, and pass resolutions declaring this and that day in and out, and as to the open shop, if you *attempt to carry it out with a mixture of union men and non-union men in your plant, you are inviting trouble and disaster.*

Mr. Gillette further said very frankly:

There is nothing more disputed than the definition of the open shop. Does it mean simply this, that if I vote for this resolution and go back home —I am just doing this to make a little trouble, Mr. Chairman—does it mean when a man comes to our employment office for employment that I should instruct my employment manager not to ask him if he is a union man or a non-union man, because we have declared for the open shop here? Must I tell him that you must not discriminate against the action taken here?

The resolution adopted at this meeting reads:

WHEREAS, it is recognized as fundamental in this country that all law-abiding citizens or residents thereof have the right to work when they please, for whom they please, and on whatever terms are mutually agreed upon

[1] Taken with permission from pamphlet by Savel Zimand, "The Open Shop Drive." (Bureau of Industrial Research, New York, 1921.)

between employee and employer and without interference or discrimination upon the part of others.

Now therefore be it resolved, that we hereby express our purpose to support these fundamental principles of American plan of employment by the maintenance of the open shop.

Resolved, further, we urge upon our members to secure by discussion and education the active support of workers, merchants, bankers and professional men, and all other elements of their respective communities, in favor of American ideals and the open shop.

And Mr. A. M. Glossbrenner, of the Indiana Manufacturers' Association, tells us how the resolution should be interpreted:

I happen to be running a shop which I think is similar to yours, Mr. Gillette, in the manufacturing business, in that we will not employ an individual in any part of the plant that does not sign an individual contract in which it is expressed that he is not and will not become a member of a labor organization while in our employ.

I am in favor of this resolution because the interpretation I give to it is that the open shop means to me that I can employ whomever may please, as an individual employer. That is the definition I understand under that resolution.

e) MR. DOOLEY ON THE OPEN SHOP[1]

"'What's all this that's in the papers about the open shop?' asked Mr. Hennessey.

"'Why, don't ye know?' said Mr. Dooley. 'Really, I'm surprized at yer ignorance, Hinnissey. What is th' open shop? Sure, 'tis where they kape the doors open to accommodate th' constant stream av' min comin in t' take jobs cheaper than th' min what has th' jobs. 'Tis like this, Hinnissey: Suppose wan av these freeborn citizens is workin' in an open shop f'r th' princely wages av wan large iron dollar a day av tin hour. Along comes anither son-av-gun and he sez t' th' boss, "Oi think Oi could handle th' job nicely f'r ninety cints." "Sure," sez th' boss, and th' wan dollar man gets out into th' crool woruld t' exercise hiz inalienable roights as a freeborn American citizen an' scab on some other poor devil. An' so it goes on, Hinnissey. An' who gits th' benefit? Thrue, it saves th' boss money, but he don't care no more f'r money thin he does f'r his right eye.

"'It's all principle wid him. He hates t' see men robbed av their indipindence. They must have their indipindence, regardless av anything else.'

[1] From F. P. Dunne in the *Literary Digest*, LXVII (November 27, 1920).

"'But,' said Mr. Hennessey, 'these open-shop min ye menshun say they are f'r unions iv properly conducted.'

"'Shure,' said Mr. Dooley, 'iv properly conducted. An' there we are: an' how would they have thim conducted? No strikes, no rules, no contracts, no scales, hardly iny wages, an' dam few mimbers.'"

f) THE ETHICS OF THE CLOSED SHOP[1]

Granted, that unionism in its main outlines is a good thing, what should be our attitude toward the policy of the closed shop?

The argument of the employer is twofold. He holds that the closed shop is unfair both to the individual workman and to the individual employer, unwarrantably restricting the liberty of each.

Why, he asks, should a man be compelled to join the union before he can secure work in a trade? If the union really is so helpful as its advocates would have us believe, let it increase its membership by the weight of its own merits, not by coercion. If a given workman resists the leveling process of the union, preferring to remain outside and forego its benefits together with its restrictions, that is his own affair.

On the other hand, the employer in his choice of workmen should be equally free. If he is restricted to union labor only, he is practically robbed of his right to discharge. An unscrupulous union can hold him at its mercy. By threats of strike, it can compel him to retain inefficient and insubordinate workers, and in a thousand ways keep increasing its demands, decreasing his daily output, and interfering with his business policy. The closed shop means an all-round hampering of business initiative and efficiency.

The union, meanwhile, marshals its arguments as follows: In the first place the so-called "open-shop" seldom really is open. It constantly tends to discriminate against union men. Under cover of "inefficiency" or "insubordination" or some similar complaint, it is the common practice of open-shop employers to discharge men prominent in union activities and to replace them with non-union labor. Thus, under the guise of the open shop system, many a plant has been stripped of its union workers and reduced once more to a state of individual bargaining.

In the second place, is it true that the non-union man is so deserving of our sympathy? Is not his right of individual freedom of contract in direct contravention to the rights of his fellows within the

[1] Adapted from Paul H. and Dorothy Douglas, "Closed vs. Open Shop," *Oregon Voter*, II (November 3, 1917), 154–59.

union? If he is accepting wages that are below the union rate, he is inevitably pulling down that rate. If his wages are equivalent to the union rate, he is receiving something that he has not earned; for it is the efforts of the union that have made the wages in his industry what they are. Others have labored and he has entered into their labor. Why should he not be required to support the organization that is doing so much for him? If he does not support it, other laggards who are already in the organization, seeing his easy success, will begin to drop out, and soon the union will disintegrate.

Before weighing the merits of these two sets of arguments, it is necessary to draw a distinction to which the parties to the dispute seldom advert—namely the distinction between two types of union, the closed and the open.

The closed union is one which artificially restricts its membership. It may do this by any one of several devices. The commonest perhaps is the charging of an exorbitant initiation fee; the next in frequency is the lengthening of the apprenticeship period beyond what is required adequately to learn the trade; and the third is the actual limitation of the number of apprentices allowed to enter training. Thus, by curtailing the number of new members, the closed union seeks automatically to raise the wages of those already in. This works undoubted hardships not only upon the industry, but upon the men who fail of entrance to it—since they are forced into other less remunerative employments.

Combined with the closed shop, the closed union would form a labor monopoly that could work untold harm to industry, managers and public, and is not for a moment to be tolerated.

The case with the open union is, however, different. Here any man with the requisite ability has free access to the trade. There is no artificial raising of wages within the trade nor lowering of wages outside. The open union may therefore safely be combined with the closed shop, provided that we can obviate the dangers to managerial efficiency of which the employers have just warned us.

4. THE STRIKE

a) DEFINITION AND NATURE[1]

The strike may be defined as a temporary combination of wage-earners to effect some purpose—usually the improvement or maintenance of the conditions of their employment—by a concerted cessation

[1] Adapted with permission from Thomas S. Adams and Helen L. Sumner, *Labor Problems*, pp. 175–87. (The Macmillan Co., 1910.)

of work, during which active measures are taken by the strikers to retain the places which they have temporarily vacated. This is, perhaps, a rather pedantic definition of a very familiar thing. It serves, however, to emphasize two very essential points: (*a*) Strikes are not always declared for the laudable purpose of improving conditions of employment. Strikers, indeed, are often animated by the loftiest altruism, but sometimes they are animated chiefly by a desire for mere revenge or retaliation. (*b*) Secondly, the mistake must not be made of assuming that the strike is a mere cessation of work. When workmen quietly leave their employer and seek work elsewhere, we do not describe their action as a "strike." In the average or normal strike measures are always taken to induce competing workmen not to take the places vacated by the strikers. In other words an attempt—it may be lawful or unlawful—is made to prevent the employer from obtaining an adequate supply of labor.

Strikers, however, frequently fail in preventing the employer from securing an adequate supply of labor, and in this event other forms of pressure are brought to bear upon him. When instead of, or in addition to, endeavoring to prevent the employer from securing an adequate amount of labor, measures are taken to deprive him of his customers or the materials necessary in his business, the combination becomes to this extent a boycott.

b) THE COURSE OF STRIKES IN THE UNITED STATES FROM 1881 TO 1921[1]

The United States Bureau of Labor defined a strike as "a concerted withdrawal from work by a part or all of the employees of an establishment or several establishments to enforce a demand on the part of employees" while a lockout was defined as "a refusal on the part of an employer or several employers to permit a part or all of the employees to continue at work, such refusal being made to enforce a demand on the part of employees." During the twenty-five years from 1881 to 1905, strikes were twenty-five times as numerous as lockouts and involved ten times as many workers. Since then the relative proportion of lockouts to strikes has still further diminished. Because of the numerical insignificance of lockouts, strikes alone are considered in this study.

Writing in 1905, Professor T. S. Adams, after reviewing the strike statistics from 1881 to 1900, declared that "strikes are not increasing as rapidly as the industrial population." From this he went on to

[1] Taken from an unpublished manuscript by Paul H. Douglas.

say that ". . . . The trade-union makes for the regulation, not for the suppression of strikes, for their encouragement, in season, for their discouragement out of season, but on the whole its influence is conservative. . . . ."

The *Reports of the United States Commissioner* of Labor furnish a full record collected by field agents of all strikes and lockouts during the period 1881–1905. Unfortunately, our strike statistics were then allowed to lapse for an eight-year period, being renewed by the Bureau of Labor Statistics in 1914, and carried on from then to the present. This later material has been collected by means of press notices and replies to written inquiries rather than by actual field work. It is therefore in its very nature not as complete as that for the earlier years, but all its errors lie on the side of minimizing the number of strikes within recent years instead of exaggerating them.

It is evident that the figures given for the recent years are understatements of the actual conditions and hence are most conservative. Table LXXXVI shows, (1) the average number of strikes and strikers by five-year periods since 1881,[1] and (2) the relative number of both strikes and strikers as compared with the average during the first five-year period of 1881–85.

In attempting to make allowance for the number of strikers involved in those strikes between 1915 and 1921 where no such report was made, four distinct and separate methods were used:

Method A.—The number of strikers who were actually reported as having gone out on strike were alone counted. No allowance was made for the strikers in those strikes when the number was not reported.

Method B.—The average number of strikers involved in such strikes was estimated as being equal to the average number in those strikes where the number was reported.

Method C.—The average number of strikers in such strikes was estimated at 25 per cent of the average number in those strikes when the reports were made.

Method D.—The average number of strikers in these strikes was estimated at only 10 per cent of that in those strikes when the average was known.

Method A is of course a very real understatement of the number of men actually involved. Method B, on the other hand, is probably an overstatement, since those strikes when the number of strikes was not

[1] Omitting 1914, the seven years 1915–21 are treated as one period.

reported were probably not as large as those where full reports were given. Although the estimate of 25 and 10 per cent in Methods C and D, respectively, are somewhat arbitrary, it is believed that they are on the whole conservative and not far from the actual conditions.

These statistics show that during the seven years from 1915 to 1921 inclusive, the average number of strikes was slightly over six times as great as during the five years from 1881 to 1885, and between two and three times as great as the average number of strikes which occurred during the years of 1886–90. Even more notable was the increase in the number of strikers. Counting only those actually

TABLE LXXXVI

THE MOVEMENT OF STRIKES IN THE UNITED STATES 1881–1921*

Period	Average Number Per Year of		Relative Number (1881–85=100) of	
	Strikes	Strikers	Strikes	Strikers
1881–85	498	124,005	100	100
1886–90	1,336	255,863	268	206
1891–95	1,377	278,868	276	225
1896–1900	1,351	281,275	271	227
1901–5	2,793	406,639	561	324
1915–21	3,043	1,547,087†	611	1,248†
.....	.....	2,395,971‡	.....	1,932‡
.....	.....	1,744,502§	.....	1,407§
.....	.....	1,632,222‖	.....	1,316‖

* Compiled from the *Twenty-first Annual Report of the United States Commissioner of Labor*, 1906, p. 15; *Monthly Labor Review*, II (April, 1916), 13–26; XIV (May, 1922), 181–86. Only strikes are included; i.e., lockouts are not included.

† On the basis of Method A.
‡ On the basis of Method B.
§ On the basis of Method C.
‖ On the basis of Method D.

reported with no allowance for workmen involved in the eight thousand strikes whose numbers were not reported, they totaled nearly twelve and a half times as many as during the first period while it is probable that in actuality they were somewhere between thirteen and fourteen times as numerous.

Such statistics do not by themselves, however, give an adequate picture of the real movement of strikes. It is not until they are compared with the increase in the industrial population during these years that their real significance is disclosed. An increase in the total number of strikes or strikers would naturally result from a mere increase in the number "exposed" to strikes, i.e., industrial wage-earners and, hence, would not of itself indicate whether the *rate* of striking was or was not increasing.

The average number of industrial wage-earners during these periods can however be computed by following the admirable classification of Professor Alvin H. Hansen, with an allowance for an even numerical increase during the intercensal years.

From the foregoing data, it is possible to compute the average annual number of strikes and strikers per one million industrial wage-earners together with index numbers of their relative movement, and thus to reduce the strike statistics in Table LXXXVII to a common base.

TABLE LXXXVII

RELATIVE AVERAGE ANNUAL STRIKE RATES IN RELATION TO NUMBER OF INDUSTRIAL WAGE-EARNERS. BY PERIODS, 1881–1921

Period	Average Annual Rate Per 1,000,000 Industrial Wage-earners		Relative Rates (1881–85 = 100)	
	Strikes	Strikers	Strikes	Strikers
1881–85	84	20,990	100	100
1886–90	193	37,050	230	177
1891–95	167	33,880	199	161
1896–1900	170	29,030	167	138
1901–5	240	34,900	286	166
1915–21	179	90,846*	213	433*
		140,690†		671†
		102,440‡		488‡
		95,840§		457§

* On the basis of Method A.
† On the basis of Method B.
‡ On the basis of Method C.
§ On the basis of Method D.

Some very significant conclusions can be drawn from the statistics in Table II. The relative frequency of strikes in relation to the industrial population during the years 1915–21 was more than double what it was for the five years from 1881–85. It was however approximately 8 per cent less than the rate for the years from 1886 to 1890. The dip in the relative frequency of strikes during the eighteen nineties and their rapid expansion during the first five years of the present century is also clearly evident from the figures.

But more important than the number of strikes is the number of strikers. The proportion of the workmen who go out on strike at different times is the best index of whether striking is becoming more or less chronic in industry. The statistics on this point are even more impressive. Whereas during the first half of the eighties, approximately only one workman in forty-eight went out on strike

each year, during the years 1915–21, at the very least, one out of eleven struck while probably the actual ratio was around one out of ten, or possibly one out of nine. In other words, the proportion of strikers as compared with the number of industrial wage-earners was from four and a third to five times as great during the seven years from 1915 on than it was during the years 1881–85.

But even the relative number of strikes and strikers in proportion to the industrial population is not sufficient in itself to indicate the relative tendency of strikes to interfere with the course of industry. For duration is just as much of a factor in the virulence of strikes as is their scope and frequency. Table LXXXVIII shows the average annual duration of strikes by periods from 1881 on.

TABLE LXXXVIII

AVERAGE DURATION OF STRIKES, 1881–1921

Period	Average Duration in Days	Relative Durations (1881–85 = 100)
1881–85	22.7	100
1886–90	23.4	103
1891–95	26.8	118
1896–1900	21.5	95
1901–5	28.2	124
1915–21	28.8	127

It thus appears from Table LXXXVIII that strikes are appreciably longer today than formerly and that consequently their intensity is greater even than is indicated by their relative numbers.

What then is the truth of Professor Adams' second conclusion, namely, that trade unions tend to decrease the number of strikes?

By obtaining the percentage which the unionists formed of all industrial wage-earners and the percentage of strikes called by labor organizations, we can compute the relative liability of unionists to strikes. This relative liability is patently the relative number of strikes which a group of unionists (say 100,000 in number) will participate in during a given period in comparison to the number of strikes which an equal-sized group of non-unionists will take part in. An illustration and a formula will more clearly explain the proper method. If the 10 per cent of the industrial wage earners who are unionists participate in 50 per cent of all the strikes while the 90 per cent who

are non-unionists take part in only the remaining 50 per cent, then every 1 per cent of the workers who are unionists will be involved in 5 per cent of the strikes while every 1 per cent who are not unionists will have taken part in only $\frac{5}{9}$ of 1 per cent of the strikes. In proportion to their number, therefore, the unionists will have taken part in nine times as many strikes as have the non-unionists.

The correct formula is $L = \frac{\frac{S}{U}}{\frac{T}{N}} \times 100.$

when:–

L = relative liability of unionists to strikes

S = percentage of strikes ordered by labor organizations

U = percentage which unionists formed in industrial wage-earners

T = percentage of strikes originating among non-unionists

N = percentage which non-unionists formed of industrial wage-earners

100 = equal liability of unionists to strikes as compared with non-unionists

Table LXXXIX not only gives all the basic data, but it shows the relative number of strikes among the unionists in proportion to their numbers in comparison with the non-unionists.

TABLE LXXXIX

RELATIVE LIABILITY OF TRADE UNIONISTS TO STRIKES

Period	Percentage of Strikes Ordered by Labor Organizations	Percentage Which Unionists Formed of Industrial Wage-Earners	Percentage of Strikes not Ordered by Labor Organizations	Percentage Which Non-Unionists Formed of Industrial Wage-Earners	Relative Strike-Liability of Union Members (100 = Equal Liability)
1881–85	53	5	47	95	2120
1886–90	63	10	37	90	1536
1891–95	67	5	33	95	3940
1896–1900	62	6	38	94	2555
1901–5	78	15	22	85	2000
1916–21	86	22	14	78	2115

It is thus apparent that in general the unionists have had approximately twenty times as many strikes relative to their number as have the non-unionists. Once this ratio fell to fifteen, but during the next

five years (1811–95) it increased to nearly forty.[1] The conclusion seems inescapable that union organization is accompanied by a tremendous increase in the strike rate. This statement should be not interpreted to mean that the unions as institutions correspondingly incite their members to strike. The non-unionist may want to strike as badly as the unionist, but he is afraid to do so because he has no organization to support him. The unions therefore may merely make possible what is in the minds of all the workers and operate, in the language of Bergson, not as an impelling but as a releasing cause.

What have been the causes of strikes? During the quarter-century from 1881 to 1905, 33 per cent were caused by demands for increased wages alone and approximately 6 per cent to ward off wage cuts.[2] In another 26 per cent of the cases, wages were a partial cause. Ten per cent had as their sole cause a demand for a reduction in hours while this was a partial cause in 18 per cent more. Eliminating all double counting, 63 per cent were due either to wages or hours. Some 24 per cent were caused by demands for the recognition of the union—a percentage that was much higher during the years 1901–5 than before. Only 4 per cent were sympathetic and less than 1 per cent were due to jurisdictional disputes, although in the earlier periods sympathetic strikes had been relatively much more common. During the period 1915–21, the percentage of strikes caused by wages and hours decreased slightly and there was apparently a still further decrease in the proportion of sympathetic strikes compared to that for the earlier period as a whole.

An investigation by Professor Alvin H. Hansen suggests that during a period when the long-run trend of prices is downward (i.e. 1881–97) that "strike movements tend to increase in periods of depression and to decrease in periods of prosperity." Professor Hansen's explanations of this is that during such periods labor is on the defensive throughout, and predominantly so during the depression years. When the long-time trend of prices is upward, however, as

[1] It would of course be more accurate to use the relative number of strikers who were unionists as the basis for comparison, but statistics upon this point, as differentiated between unionists and non-unionists, is very deficient for the last period. The relative liability of unionists would of course be higher according to this basis than it is by using strikes.

[2] This is defining the causes in terms of the more obvious and expressed factors. It is probable in any given case that a strike is called not for one reason but for many.

from 1898 to 1919, strikes increase in periods of prosperity and decrease in periods of depressions. Here labor takes the aggressive during the boom years, to force up wages, and reduce hours particularly because of the increase in the cost of living, while during the "bad" years, it will resort only to defensive action.

Forty-nine per cent of the strikes initiated by the unions, during the twenty-five years from 1881 to 1905, succeeded, 16 per cent partially succeeded, and 35 per cent failed. It is interesting to note that the percentage of union successes was actually higher during the depression years 1893–97 than during the period as a whole, while for non-union strikes it was lower. The reports for the years 1916–21, while probably not as trustworthy as those for the earlier years, indicate that only 29 per cent of all strikes succeeded, 33 per cent were compromised, 33 per cent failed, and in 5 per cent the men returned pending arbitration. The percentage of unsuccessful strikes was especially high in 1921, amounting to 53 per cent.

c) DEGREE OF LOSS OCCASIONED BY STRIKES AND LOCKOUTS[1]

In comparing the relative numbers of strikes ordered by labor organizations and those which have taken place among unorganized laborers it is worthy of note that non-union labor does not use the same judgment in timing its strikes to conform with favorable business conditions.

Two industries, the building trades and coal mining, are the ones in which the strike evil is most prevalent. These two industries are responsible for more than one-third of all the strikes in the country. They have a still greater preponderance over other lines of industry as measured by the number of strikers and the number of employees thrown out of employment as a result of strikes. It will be noted later on in this report that there is a very clear correlation between the number of strikes and the seasonal or irregular character of employment.

Losses in wages and production.—In its Sixteenth Annual Report, the United States Bureau of Labor undertook to ascertain the wage loss to employees and the loss suffered by employers by reason of strikes during the twenty-year period from 1881 to 1900.

In commenting on these figures, the Bureau calls attention to the fact that many of these losses were made up later by speeding up

[1] Taken with permission from the report by C. W. Doten in *Waste in Industry*, pp. 301–14. (Federated American Engineering Societies, Washington, D.C., 1921.)

the work, by more regular employment, etc., so that they must not be regarded as net losses in the case of either the employees or the employers. It should be noted also that many of the strikes were for higher wages and were successful. In such cases it is probable that the wage loss to employees was soon recovered through larger earnings.

Even taking the figures as they stand, they are not particularly impressive as evidence of great loss. The total loss to employees in twenty years was only $267,863,478 or a yearly average of $12,893,174. The loss to employers averages $6,136,556 a year.

The loss to employees, if it had been borne equally by all wage-earners, would have imposed an average burden of only about 77 cents a year upon each person. The per capita burden in 1900 would have been about 90 cents.

King estimates the average wages in 1900 to have been $417. Thus the loss due to strikes in that year would have amounted to a little over 0.2 per cent of each working man's wages, or in other words about three-fifths of a day's time, while the yearly average for the whole period would have been about two-thirds of a day per capita. In any case it is less of a loss than an added national holiday such as Armistice Day would entail. Moreover it is worthy of note that illness occasions a loss each year at least twelve times as great, and that the fire loss in the country (1881–1900) was nearly ten times the wage loss due to strikes.

But the above reckoning has been based upon the assumption that the loss set forth is an actual loss. As has already been noted there are numerous ways in which this loss may be compensated for or offset. Perhaps the most important of these is that the time lost in strikes is really taken out of the time that employees would have been idle in any case rather than out of production time. This is particularly true of seasonal and irregular occupations and industries like the building trades, clothing manufacturers, boot and shoe manufacturers, glass making, quarrying, and coal mining.

Strikes in seasonal occupations.—It is significant that more than one-half of all the strikes that occurred between 1881 and 1905 and much more than one-half of the employees thrown out of work were in occupations or industries that are highly irregular or distinctly seasonal in character. Among these coal is the most conspicuous. It is possible to trace the effects of strikes in this industry both upon the employee's working time and upon production. This is done in Table XC.

This table indicates very little correlation between strikes and either the yearly output of coal or the extent of employment. Taken by themselves the figures representing the number of men on strike and working days lost per man would seem to indicate a tremendous waste in productive capacity and a great loss in wages; but it is apparent that these losses were almost entirely wiped out before the end of the year.

It is noteworthy that there was more coal produced in 1910 than in 1911, even though the former year witnessed many protracted strikes involving large numbers of employees. Moreover, there was no real loss of employment by reason of these strikes. Again 1912,

TABLE XC

STRIKES AND PRODUCTION IN COAL MINES, ANTHRACITE AND BITUMINOUS, IN THE UNITED STATES, 1910 TO 1916*

Year	Men Employed (Thousands)	Working Days Lost by Reason of Strikes per Man Employed	Days Worked per Year	Average Tonnage per Man per Year	Tons of Coal Produced (Millions)
1910.....	725	26.5	220	618	447
1911.....	722	1.3	220	615	443
1912.....	723	17.3	226	663	478
1913.....	748	4.1	238	681	509
1914.....	763	14.5	210	602	459
1915.....	734	3.4	209	645	475
1916.....	721	4.6	236	732	527

* Geological Survey figures in the *Statistical Abstract of the United States*, 1917, pp. 259, 537.

with an average loss per man of seventeen days, shows large total production, increased output per man per day and per year, and six days more employment per man than the previous year which was relatively strikeless. Low production in 1914 and 1915 was due to general business depression caused by the Great War rather than to strikes.

It is probable that much the same results would be shown if statistics could be obtained in other seasonal and irregular employments. It is true that all employments are subject to more or less irregularity, especially when individual establishments are taken into account.

These statistics therefore confirm to some extent the general feeling among wage-earners that strikes do not in the long run mean

much real loss of time to the men and that such loss as does occur is in the end more than compensated for by the purposes attained by means of the strike. It is probably futile, therefore, to attempt to convince workingmen by the citation of statistics that striking is inexpedient.

Conclusion.—Such comparisons as can be made indicate that a very large proportion of strikes in recent years have occurred in seasonal and irregular occupations, such as the clothing industry, coal mining, and the building trades, in which employees do not ordinarily work much more than two-thirds of the time. Statistics, when properly interpreted, do not support the popular belief that strikes are responsible for great losses in earnings to wage-earners or in the output of industry.

This may be in part due to the fact that the ordinary penalty for striking, namely, loss of earnings, is not effective in industries where workmen are normally idle about one-third of the time. Strikes in such occupations are probably due also to the difficulty of getting and keeping wage rates sufficiently above the rates in more regular trades and industries to enable the laborers to maintain a decent standard of living throughout the year. Whatever the reason or the cause, the remedy is to stabilize or regularize the employment.

The strikes that have seriously affected or threatened the public welfare and the ongoing of industry are such strikes as those in the steel and coal industries in 1919, or such as have been imminent at times on the railroads of the country. England has been menaced by strikes of this sort several times since the close of the war. No statistical study of strikes in the past would be of any use as a means of showing the effects of such strikes as these, and none would be necessary in any case, for it is perfectly clear that they would lead to disastrous consequences to industry and to the general welfare which would be out of all proportion to the losses in wages and profits of those directly concerned in them. Such strikes must be prevented if it is possible to stop them.

Finally, strikes are merely symptoms. Suppressing strikes will not cure social unrest; but will probably increase it. Strikes are always regrettable; but not always reprehensible. Until the social millennium is attained, they will continue to occur and will be sometimes necessary both as a direct defense against injustice and oppression and as the only way of compelling the public to give its attention to hidden evils in industrial relations.

d) LEGAL ASPECTS[1]

The legal aspects of strikes.—It has been pointed out that the normal strike involves a concentrated termination of employment, and systematic persuasion with the object of keeping the strikers' places from being filled, and that, in addition, pressure was frequently brought to bear upon the employer by depriving him of his customers or of the raw materials needed in his business. The discussion of this subject naturally turns, then, upon the right of wage-earners to combine (*a*) to quit work, (*b*) to picket, and (*c*) to boycott. Before discussing these rights, attention should be called to the general legal doctrine which underlies and conditions the law upon all these subjects: the doctrine of conspiracy.

A conspiracy is an illegal combination. It may be more practically defined *as a combination of two or more persons, by concerted action, to accomplish some unlawful, oppressive or immoral action, or to accomplish some purpose, not in itself unlawful, oppressive or immoral, by unlawful, oppressive or immoral means.* The reader is requested to notice particularly the following consequences and interpretations of the doctrine. (*a*) It has been interpreted very broadly, so as to condemn combinations merely to injure public trade, to violate public policy or to pervert justice. (*b*) It follows that many actions may become unlawful when performed by a combination of persons, which, if performed by an individual, would lead neither to criminal indictment nor to civil action. (*c*) The combination may be punished though its purpose is never achieved. As was said in the celebrated case of *Commonwealth* v. *Judd* (2 Mass. 329), "The gist of a conspiracy is the unlawful confederacy to do an unlawful act . . . . the offence is complete when the confederacy is made; and any act done in pursuance of it is no constituent part of the offence, but merely an aggravation of it." (*d*) Finally, and most important, a combination is not unlawful merely because it contemplates or necessarily involves injury to someone. If A and B form a partnership and in the normal course of competitive business drive a rival C into bankruptcy, C has no legal redress. He has been injured but not wronged; in legal parlance it is *damnum absque injuria.* On the other hand if A and B combine to bankrupt C designedly, and commit acts which, while necessarily injurious to C, are of no direct benefit to themselves, they are guilty of conspiracy, and may be duly punished.

[1] Taken with permission from Thomas S. Adams and Helen L. Sumner, *Labor Problems*, pp. 187–96. (The Macmillan Co., 1910.)

The decisive factor, then, is the presence or absence of malicious intent.—But it is one of the unfortunate peculiarities of the strike that it invariably involves injury to someone—the employer, a non-union workman or a third party. The consequence is, that in almost every strike about whose legality there can be any question at all, the question finally sifts down to the legitimacy of the object of the strike. Was the injury involved in the accomplishment of an innocent and laudable purpose? Then the strikers cannot be charged with it. Was there no real purpose, or only a trivial one, beyond the intent to injure? Then the combination becomes a conspiracy and the conpirators may be punished criminally and mulcted in damages. *From these conditions we reach the general rule that a peaceable strike is illegal or legal according as the injury it entails is direct, primary and intentional, or secondary and incidental to the accomplishment of some innocent end.*

A. *Combinations to terminate employment.*—At the present day, a combination to quit work is legal or illegal according as the further object of the combination is good or bad. This has not always been the law. In England, at least, during the life of the combination acts which were repealed in 1824, combinations of wage-earners to effect even the most innocent and laudable ends were under the ban of the law; and the English doctrine seems to have been followed in several early American cases, notably that of the Boot and Shoe Makers of Philadelphia (1806). "A combination of workmen to raise their wages," said Recorder Levy in his charge to the jury, "may be considered in a twofold point of view; one is to benefit themselves, the other is to injure those who do not join their society. *The rule of law condemns both.*" The jury found the strikers "guilty of a combination to raise their wages," and they were fined $8 each together with the costs of the suit.

The American courts soon righted themselves, however, and in a series of cases, fully established the right of wage-earners to quit work for the purpose of improving the conditions of their employment. And this may now be accepted as the general rule. On the other hand, it cannot be emphasized too strongly that no such thing as a general right to quit work has been established. Everything depends upon the object for which the employees quit work. If the object be to increase wages, reduce hours, prevent the practice of working over time, or any other end which the court regards as legitimate, the combination is legal. But if, in the chain of intermediate means, there

is an illegal act such as intimidation of a "scab," or if the ultimate benefit is remote, trivial or indefinite, while the injury is the immediate object sought, the combination becomes illegal.

It is not always easy to ascertain whether the intent is malicious or not, and in deciding difficult cases much stress is laid upon "insufficient interest." Speaking generally, people must have a plain and important interest at stake, or they will not be permitted to interrupt with impunity the business of the employer and the traffic of the public. The legality of three important kinds of strikes is usually determined by this test of sufficient interest. (*a*) The sympathetic strike is practically always illegal, the courts holding that the workmen in one establishment have no such interest in the success of the strike in another establishment, as to warrant them in involving their own employer and the public in the losses and discomforts of a new strike. (*b*) Strikes to secure the discharge or prevent the employment of non-union workmen; and (*c*) the interference of outside parties, usually trade union officials, in instigating and directing strikes in establishments in which they are not employed, have also in the past usually been declared illegal. The reasoning of the courts in these cases seems to be that the strikers or the trade union officials have so little to gain by the success of the strike that their actions in inflicting the injuries consequent upon the strike must be construed as predominantly malicious. In all these classes of cases a large majority of the decisions are adverse, but there are several strong decisions in the opposite direction.

The difficult case of the strike against the employment of non-union men is discussed elsewhere. At this point the writer can only record his strong dissent from the doctrine that when a walking delegate or a union organizer goes into a factory or mine, and persuades the employees to strike, he is necessarily without real interest, and guilty of malicious interference. Doubtless there are cases in which the object of the walking delegate is simple blackmail. But in the great majority of instances his work is perfectly legitimate. If he be an officer of the union to which these employees belong, he is merely doing what he is elected or appointed to do, namely, watch out to discover when they can better their conditions and direct them in the method of betterment. He is no more guilty of malicious interference than is the counsel of a great company when he advises the directorate to reduce expenses by introducing labor-saving machinery or a cheaper grade of labor. On the other hand, if he be

an organizer, engaged in persuading non-union employees to enter the union and demand union terms, he has an even more vital interest at stake. The trade union which has secured the higher rate must induce the non-union competitors to demand the same terms, or itself be forced back to the lower level. The union official who persuades non-union men to demand union terms, is, in his own belief, inducing them not only to better their own condition, but to cease injuring the trade unionists whom he represents. In the last analysis the decision of the court in these delicate questions of intent and interest will be decided by the political economy of the court. If the judge believes that the working man cannot substantially improve his condition without making positive efforts to improve it, then he should acquiesce in the methods of combination and union which up to the present time have been the most efficient instruments which the laboring classes have devised to improve their condition.

a) *Statute law on strikes.*—Up to this point we have been speaking as if there were no statute law on strikes, but this is not strictly true; about fifteen states have statutes modifying the old law of conspiracy, specifically conferring on the laborer the right to combine to raise wages, or to induce by peaceable means, any person to accept or quit any employment. But with these exceptions the statutes do not appear substantially to have altered the common law.

Three federal statutes, however, are of great importance: section 3,995 of the Revised Statutes which penalizes the knowing and wilful obstruction of the passage of the mails; the tenth section of the Interstate Commerce Act which makes it a misdemeanor to interfere with interstate transportation; and the first section of the Anti-Trust Act of 1890 which declares illegal every combination in restraint of trade or commerce among the several states or with foreign nations.

No one can state at the present time the exact effect of these statutes upon the legality of labor combinations.

B. *Picketing.*—The second fundamental question involved in the strike concerns the right of strikers to persuade other workmen not to accept employment with the employer involved. This is usually accomplished by pickets or patrols who are stationed about the works of the employer in order to intercept "strike breakers" and persuade them not to take the places vacated by the strikers.

The law upon picketing can be stated in a few words. The theoretical right of strikers peaceably to persuade competing workmen not to take their places has been fully established. Nevertheless the

American cases in which actual picketing has been sanctioned or permitted can be numbered, so to speak, on the fingers of one hand. The explanation of this apparent anomaly is not far to seek. The strike-breaker or "blackleg" is seldom willing to discuss the proprieties of his action with the strikers, or entertain toward them any other feelings than those of the liveliest fear and apprehension. To persuade him you must detain him against his will, and to detain him by force constitutes coercion or intimidation. And this goes far to explain why almost every decision on the subject affirms the abstract right and condemns the actual practice of picketing.

e) A COURT DECISION ON THE RECIPROCAL NATURE OF EMPLOYER'S AND EMPLOYEE'S RIGHTS IN STRIKES AND LOCKOUTS[1]

The defendants acted within their right when they went out on a strike. Whether with good cause, or without any cause or reason, they had the right to quit work, and their reasons for quitting work were reasons they need not give to anyone. And that they all went out in a body, by agreement or preconcerted arrangement, does not militate against them or affect this case in any way.

Such rights are reciprocal, with or without cause, and it cannot be inquired into as to what the cause was.

When the defendants went on a strike, or when put out on a lockout, their relations with the company were at an end: they were no longer employees of the company; and the places they once occupied in the shops were no longer their places, and never can be again, excepting by mutual agreement between the defendants and the company.

The company has the right to employ others to take the places once filled by defendants; and in employing others the defendants are not to be consulted, and it is of no lawful concern to them, and they can make no lawful complaint by reason thereof. And it makes no difference whether such new employees are citizens of Omaha or of some other city or state.

Defendants have the right to argue or discuss with the new employees the question whether the new employees should work for the company. They have the right to persuade them if they can. But in presenting the matter, they have no right to use force or violence. They have no right to terrorize or intimidate the new employees. The new employees have the right to come and go as

[1] Adapted from the opinion of the court in *Union Pacific Railway Co.* v. *Ruef*, 120 Fed. 102 (1903).

they please, without fear or molestation, and without being compelled to discuss this or any other question, and without being guarded or picketed, and persistent and continued and objectionable persuasion by numbers is of itself intimidating, and not allowable.

Picketing in proximity to the shops or elsewhere on the streets of the city, if in fact it annoys or intimidates the new employees, is not allowable. The streets are for public use, and the new employee has the same right, neither more nor less, to go back and forth, freely and without molestation and without being harassed by so-called arguments, and without being picketed, as has a defendant or other person. In short, the rights of all parties are one and the same.

f) THE BATTLE-LINE OF ORGANIZATION AND OF STRIKES

i. The Mine Guard System in West Virginia[1]

The Senate Committee on Labor and Education had been instructed two months before to "make a thorough and complete investigation" of the year-old West Virginia struggle. After the miners' march Chairman Kenyon and another member looked into the mining towns and the committee held hearings in Washington, skimpily reported in the press. A good many pages of testimony deal with the mine guards; especially with witness Lively, the Baldwin-Felts detective, experienced strike-breaker in Colorado, member of the union in West Virginia, officer in it and convention delegate, in the open with a smoking gun when Hatfield and Chambers were shot, and all the while drawing $225 a month as a spy.

Senator McKellar: Do you mean to say that you were vice-president of the local lodge of the union while you were acting in the employ of the detective agency?

Lively: Yes, sir.

Mr. Avis (for the operators): He has that right. That is the method practiced by the Department of Justice.

Senator McKellar: I certainly hope that it is not practiced by the Department of Justice. I would feel much more against the Department of Justice.

Mr. Avis: I think that is practiced by every department at Washington.

Senator McKellar: I will say that it violates every idea of right that I ever had. I never would have believed that a thing like this would happen, and I am not surprised that you are having trouble down there in Mingo County.

Well, two-and-two have made four for a good many years.

[1] Adapted with permission from an article by Heber Blankenhorn in the *New Republic*, February 15, 1922, pp. 333–34.

Senator Kenyon's report states:

The system of paying deputy sheriffs out of funds contributed by the operators, is a vicious and un-American policy and a practice that should cease. . . . . It is rather freely admitted that the purpose of this plan is to prevent men from coming into the county to organize the United Mine Workers. Men have been driven out of the county who attempted to do so. . . . . Undoubtedly this system has helped to bring about some of the friction that has been created. We do not hesitate to denounce this practice as contrary to the genius and spirit of our institutions and to urge that it be discontinued. . . . . There is complete industrial autocracy in Logan county. Members of the United Mine Workers of America are driven out of the county by force, if necessary. The operators of that county contributed in 1920 $46,630 to the payment of deputy sheriffs. The year 1921 it was $61,517. These deputy sheriffs acted as general deputy sheriffs, serving processes around the county and arresting men who had no connection with the operators' companies. . . . . It is amazing that anyone would seek to defend such a condition.

ii. Violence in the West Virginia Strike of 1913[1]

Senator Martine of New Jersey, a member of the investigating commission, is quoted as saying: "Then we heard stories, not from one witness, but from a hundred, of how gatling guns were loaded upon flat cars and freight cars and these trains were run at night through the mining villages where the strikers were with their families. These trains would run up to a village, usually a single street along the railroad track, the mine guards would fire a couple of rifle shots from the cars to incite the strikers to return the fire, and then the machine guns would be brought into action and the train would move the length of the village at a snail's pace, spitting bullets at the rate of 250 a minute, perforating the tents and shacks and mowing down and maiming and killing men and women and defenseless children."

iii. The Colorado Strike of 1914[2]

On April 20 militiamen destroyed the Ludlow tent colony, killing five men and one boy with rifle and machine gun fire and firing the tents with a torch. Eleven children and two women of the colony who had taken refuge in a hole under one of the tents were burned to death or suffocated after the tents had been fired. Accounts vary as

[1] Taken with permission from Harry W. Laidler, *Boycotts and Labor Struggle*, p. 299. (John Lane Co., 1914.)

[2] Adapted from George P. West, *Report on Colorado Strike*, pp. 126–27. (Federal Commission on Industrial Relations. Published by Barnard & Miller, 1915).

to who fired the first shot, but it is established that the first offensive movement was the planting by the militia of a machine gun on a hill in full view of the strikers and the exploding of two dynamite bombs by the militia as a signal to call the militia and mine-guards from nearby mines and camps. The strikers did not know the purpose of these bombs and they streamed out of the colony while about sixty of them with guns took up a position in a railroad cut.

iv. The Use of Spies and "Under-Cover" Men[1]

Mr. Sidney Howard in 1920 conducted under the direction of Dr. Richard Cabot, professor of Social Ethics at Harvard, a rather startling research into the extent of the spy business. His report finds the spy business national in scope and lucrative; that one of the agencies was paid an annual retainer of $125,000 by a single client (until the client, a well-known clothing manufacturer, discontinued it for an agreement with a labor union); and that one of the agencies paid an income tax for 1918 of $258,000.

Conditions have not changed except for the worse since nearly ten years ago when the Federal Commission on Industrial Relations recommended action against the so-called detective agencies. One of these agencies declared at that time that they could put 10,000 armed men into the field inside of seventy-two hours.

In January, 1921, ten high labor officials in Akron, Ohio, including men who had been president or treasurer of the city's Central Labor Union, or had been candidates for city council in municipal elections, were revealed as on the pay-roll of the Corporation Auxiliaries, Cleveland office, disclosed by signed confessions from some men obtained, particularly by the machinists' union.

v. The Use of Violence by the Workers[2]

It is not the mere act of striking that produces violence. The violence begins when the employers attempt to resume work with non-union employes. If a trade is almost perfectly organized, the employers seldom attempt to resume operations, hence there can be no violence, because there is no occasion for it. Hence there is

[1] Adapted with permission from *Public Opinion and the Steel Strike*, by the Commission of Inquiry of the Interchurch World Movement, pp. 3–4. (Harcourt, Brace & Howe, 1920.)

[2] Adapted from Luke Grant, "The National Erectors' Association and the International Structural Iron-Workers, A Report to the Federal Commission on Industrial Relations," pp. 114–37. (Barnard & Miller, 1915.)

less violence in the more strongly organized trades than in the less organized industries.

In recent years there has been a marked change in the nature of the violence committed in the building trades and in the methods used. The ordinary workman who in former days was apt to use his fists on the head of a "scab" for the sake of "the cause," seldom does so now. His place has been taken by the professional thug and gunman. Violence has become commercialized and made more brutal. Assaults on non-union workmen are seldom made openly as in former days when the strikers did the assaulting. The professional slugger lies in wait for his victim, assaults him with a bludgeon or shoots him to death. There are several reasons for this change. Employers have been able to give publicity to acts of lawlessness and arouse public sentiment. They have stirred up public officials. They have invoked the aid of the courts. These repressive measures have made open assults on non-union workmen by crowds of strikers dangerous in large cities. So the professional slugger has been developed.

That such a system of organized thuggery obtains in many of the building trades unions is beyond dispute. The rank and file of the unions do not know anything about it, for obvious reasons. The agent who has the "work" done is himself frequently in ignorance of the identity of the actual perpetrators. That being the case, it would be absurd to suppose that the rank and file of the union know.

"Do you approve of violence in labor disputes?" was the question put to an old member of a building trades union in Chicago, who has been active in union affairs for a quarter of a century.

"Did we ever get anything in the early days without violence?" he asked in reply. "But," he added, "I don't believe in the professional sluggers who are employed today. A bunch of murdering, blackmailing crooks. I wouldn't have them around me and I protest every time an appropriation is made for 'organizing purposes.'

"Punch a scab? Why that is all right. I have done that and we never thought of pay for it. Of course it isn't so necessary today with the perfect organization we have, but there isn't the same spirit in the boys now. We used to go out and clean up a job and the union didn't even allow us carfare. Now the professional bums and blackmailers wouldn't cross the street to hit a scab unless they are assured of their pay. I don't believe in that kind of violence."

Many statements are made that labor unions do not believe in violence. If the statements mean that the average union man

would not himself commit violence, they are true. If they mean that the average union man in the building trades does not approve of violence, if it brings the results sought, then the statements are not true. The average building trades mechanic is interested in results and he is not apt to inquire closely into the methods used, if the results are attained. The fact that he has no personal knowledge of acts of violence relieves his mind of responsibility.

If he hears or reads, however, of a building that is being erected by non-union men in his particular craft having been destroyed by dynamite and that the employer as a result has decided to employ union men, he does not feel overwhelmed with grief over the outrage. If he attends a meeting of his union and hears a veiled report that an "accident" happened on a certain job the other day and that the employer has since signed an agreement with the union, he will nudge his companion and whisper "good work." He may add, "Of course, I don't believe in that sort of thing, but it seems to bring results." And his companion will reply that the business agent is "all right" and both will vote for his re-election.

As a rule in labor disputes where there is a resort to the destruction of property, it comes only after other methods to obtain the desired results have failed. The first form of violence comes in the shape of attacks on those who take the places vacated by the strikers. When that proves ineffective, when the strikers find they cannot prevent the work being done, the next step is to seek to destroy that work.

The underlying motive is the firm conviction in the minds of the strikers that the particular work belongs to them. They may have refused to perform that work except under conditions acceptable to them. These conditions may not be acceptable to the employer. Still the workers cannot in their minds separate themselves from their jobs and they feel justified in wreaking vengeance both on those who took their places and on the employer who permitted and encouraged it.

With the structural ironworkers, assaults on non-union men marked the beginning of the fight against the open shop. As has been said these assaults were numerous and vicious, but proved wholly ineffective. The number of non-union jobs increased, while the chances of employment of union men decreased. If the non-union men could not be frightened or intimidated because of the assaults, other methods had to be tried. Assaults on non-union men did not hurt the employer, physically or financially, but if the work was destroyed it might touch him in a vulnerable spot.

That is the way the ironworker looked at it. The fact that it was unlawful to destroy property would give him little concern. According to his code of ethics, the "snakes" had no right to take his work. They didn't contribute to the support of the union. They were willing to accept the good wages and conditions which the union had brought about without helping to support it. They were enemies of society in general and of the union ironworkers in particular. They were attempting to break down and destroy certain standards which the union had established. Therefore any means to force them off that work, or into the union, were justifiable, as the union ironworker looked at it.

That the employer had a right to employ non-union men if he chose to do so, would not strike the union ironworker forcibly. He is not concerned about nice points about law or ethics. That the hated "snake" had a right to work; that he probably had a family to support; that he was not violating any law by working, would not appeal to the union man. The latter lives daily in a union atmosphere. He does not hear the rights of the employer, or of the non-union man discussed. Only the rights of the union man, or the wrongs, real or fancied, which he has to endure, are topics of conversation in union halls.

The union man feels that he should be a preferred customer and have first choice in the matter of obtaining work. If that work must be obtained at the expense of the non-union man, that does not make any difference. It is for that the union man is paying dues. The aim of the union is to have a monopoly of work in a particular trade. It differs from an oppressive monopoly in that any competent workman may join the union and share in the benefits.

By way of illustration, suppose that an open shop firm secures a contract for the erection of a large building or bridge in or near a city where the structural ironworkers are organized. Union men out of work daily see the open shop men at work. They complain to their business agent and at their union meetings. They declare they cannot find jobs while "snakes" are steadily employed right under their noses. They demand to know what they are paying dues for. The business agent realizes that a storm is brewing and he must do something.

One night the bridge or building is wrecked by dynamite. Next day the contractor decides to make a contract with the union. The idle men are given jobs. At the next meeting of the union the business agent may report that the job in question has been "straightened out" and as a result all the idle members have found employment.

Is it reasonable to suppose that the members of the union do not understand why the job was "straightened out?" Is it natural to suppose that they will demand to know of their business agent if he was responsible for the explosion? They wanted to get that work and they got it. They do not know, of course, who caused the explosion. They do not care to inquire. It brought results and that was what they were looking for.

Do they believe in violence? They didn't destroy the property and they don't know who did. They probably adopt resolutions denouncing the unknown perpetrators and offering a reward for their arrest and conviction. The Western Federation of Miners in convention offered a reward for the arrest of the men who blew up the Independence depot in June, 1904, killing fourteen men. Harry Orchard afterward confessed that he and Steve Adams did it, acting as agents for the officers of the union.

In this way do union men collectively approve of violence that few, if any of them, would individually commit. As a matter of principle they believe that violence is wrong. But principle in the abstract has less weight in their minds than the immediate and concrete necessity of finding work.

Either the non-union men are assaulted or an attempt is made to destroy the work. The structural iron workers tried both the assaulting of non-union men and the destruction of property and the latter seemed most effective and less dangerous. In the beginning of the trouble, when slugging of non-union men was the rule, the arrests were numerous and many convictions were obtained. The dynamiters carried on their work of destruction for five years before they were caught.

vi. Violence and Picketing[1]

In order that they may get the jobs, it is necessary to prevent others from taking them. They cannot go to the employer and ask him not to fill their old positions. He has already made himself perfectly clear on that point.

What is the natural thing for the strikers to do? Prevent new employees from taking the jobs in that factory, of course. If that can be done by peaceful methods, so much the better. If it cannot, then it must be done by violent methods. The important thing is that it

[1] Adapted from Luke Grant, *The National Erectors' Association and the International Structural Iron Workers*. A Report to the Federal Commission on Industrial Relations, p. 110. (Barnard & Miller, Publishers, 1915.)

be done. That is the way the workers view the situation, the law to the contrary notwithstanding.

The factory is picketed. The courts have held that "peaceful picketing" is not unlawful. It may be lawful, but it is entirely useless and ineffective. It is not necessary for the courts to restrain "peaceful picketing" although they sometimes have done it. The only purpose in picketing a factory is to prevent certain workers taking the places vacated by certain other workers. The theory of "peaceful picketing" is that the workers seeking employment in that particular factory will voluntarily turn away when they are told that a strike or lockout is in progress.

In actual practice they do nothing of the kind, or only in rare instances. The pickets know that; so do the employers. It is not necessary that the pickets actually assault the employees who desire to enter the factory. If the pickets assemble in sufficient numbers, it is possible to intimidate those seeking employment, without actually assaulting them. But it is the fear of possible assault that brings results; not moral suasion. The "moral suasion" argument is good in the courtroom or on the public platform, but around the factory it counts for practically nothing. Everyone with practical experience of conditions knows that.

PROBLEMS

1. What is collective bargaining? How does it differ from individual bargaining? Does the employer bargain collectively?
2. Compare in detail the relative bargaining power of workmen and employers as regards (*a*) knowledge, (*b*) alternatives, (*c*) loss, if the bargain is not agreed upon. What effect does this have upon wages and why?
3. If the marginal productivity theory of wages be true, what need is there for the organization of workers?
4. How does the collective bargain enable the worker to secure better terms?
5. "I will meet with committees of my men to discuss wages and working conditions but I will not meet with any outsider or walking agent." Do you in general agree or disagree with this statement? Why or why not? Why have business agents arisen? Do they perform any economic function for the workmen and if so, what?
6. "Not only should the workmen have the right of contracting collectively, but they should also have the right of being represented by whomsoever they wish. The denial of the right of representation is tyranny. Without the right to choose their representative, the men cannot enjoy the full benefit of collective bargaining." Do you agree? Why or why not?

7. Is collective bargaining the only reason for the existence of unions? Name five other reasons why workmen form unions.
8. Is the American Medical Association a trade union? Is the American Bar Association, the National Education Association, the Association of University Professors? Just what is a trade union anyhow?
9. Does collective bargaining exist when there is a tacit agreement upon the part of labor not to accept less than a given wage; when the workers draw up a wage scale and submit it to the employers?
10. What matters ordinarily come within the scope of collective bargaining? Trade agreements are often signed stating that the agreement shall cover "conditions of labor." What is included under this phrase?
11. Are the following at present the subject of collective bargaining: (*a*) selection and discharge of foremen, (*b*) methods of trade training, (*c*) installation of new processes? Under what conditions might they become the subject of collective bargaining?
12. Does the union rate of wages mean that no workers can receive more? Do unions in practice tend to make wages within a trade more uniform? Why or why not? Do you believe they should be more uniform?
13. Should a trade union prohibit its members from working for less than the union rate? Shouldn't individuals be allowed to work for a lower wage if they wish to? Should the unions try to prevent non-members from working for less than their rate if these other men wish to do so?
14. Why should the unions try to fix the length of a standard day's work? Are there not innumerable instances when, due to unexpected contingencies, men should work more than the given number of hours? Should not the workmen be allowed to exceed the normal length of the working day in such emergencies?
15. "It is necessary not only to make an original agreement concerning wages, hours and working conditions but it is necessary that there should be some agency to interpret these agreements and to administer them." How are such agreements typically interpreted and administered now? What difficulties arise in this process? The men's clothing industry in Chicago, Rochester, New York, and Baltimore have trade boards and arbitration boards with neutral chairmen which pass upon questions arising under the agreement. What do you think of these methods in comparison with the common procedure?
16. As a result of many strikes many employers have granted the specific demands of their employees as regards wages, hours, etc., but have refused to recognize the union. Why should the workmen want to have the union recognized if they gain their specific demands?
17. What is the "closed shop," the "open shop," the "closed union," the "open union"?
18. "There is no such thing as an open shop. There are only two varieties of the closed shop." What is meant by this statement? Do you believe it to be true? Why or why not?

19. Why do many unions demand the closed shop? The Railway Brotherhoods on the other hand do not demand it. How do you account for their attitude?
20. Is it right for the unions to deprive the non-union man of an opportunity to work? To what extent do they deprive him of his right to work?
21. "To permit the non-union man to work in a union shop would be to permit him to reap where he had not sown and would pave the way for the breakdown of the union." What reasons could be given in support of this statement? What does the non-union man reap? What was it that had been sown? Would the non-union man disrupt the unions?
22. The position of the non-union man has been declared to be analogous to those who refuse to assume military service in that both accept the privileges of protection but refuse to assume any of the necessary responsibilities. In what ways, if any, is there a real analogy and in what ways, if any, does the analogy break down?
23. "The closed shop means that the number of workmen in that trade will be limited and that a monopoly wage is thereby secured while wages in other trades are lowered." Is this the case with the closed shop and the closed union, the closed shop and the open union?
24. What is a strike, a sympathetic strike, a general strike, a lockout, picketing? Is the strike a method of violence? Why are lockouts less frequent than strikes?
25. Every strike involves three parties: workmen, employers, and the public. Who are the public? How are they affected? Compare the degree to which they would be affected by a machinist's strike, a railroad strike, a newspaper strike, a policemen's strike, a hatmakers' strike, and a miners' strike.
26. "Most strikes are won or lost in the first two weeks." Comment.
27. "The public is inclined to oppose any strike since the workmen are generally in the rôle of aggressors. As a matter of fact, the workmen are frequently forced to take apparently the aggressive whereas in reality they are on the defensive." What does this statement mean? Can you give any illustrations of its truth or untruth? What bearing does it have upon the standards of judging whether a strike is justified or not?
28. How great is the loss to workmen because of strikes? It is frequently stated that a strike does not mean an increase in the amount of time lost by the workers but merely a transferral of inevitable unemployment from one period to another. Do you agree with this and why? Give illustrations to support your belief.
29. Do trades unions increase the number of strikes; the number of successful strikes? Why or why not?
30. What is meant by "malice"? How do the courts use the word?

31. Are not strikes maliciously designed to injure the employer and should they not therefore be prohibited by law?
32. Have strikes increased or decreased during the last forty years; has the number of strikers? How do you account for the movement?
33. What attitude do the courts generally assume toward strikes to enforce a closed shop; sympathetic strikes, strikes against non-union material, and why? Do you agree or disagree with this general policy in these matters and why?
34. What is picketing? Would you regard the following as legal and proper forms of picketing; circulating handbills; asking non-striking workmen to leave their positions; request by one picket that workmen leave; by two workmen; by ten; by a hundred; shouting "scab" at workmen; forming a lane through which workmen must pass; throwing rocks, rotten missiles; bodily assault? Defend your opinion in each case.
35. Should the courts give damages to an employer against striking union workmen because they persuaded men to leave whom he had employed to take their places, and hence interfered with his production and damaged his business?

CHAPTER XXI

UNION POLICIES AND METHODS—*Continued*

1. THE UNION LABEL[1]

The trade-union label, using the term in its widest sense, is used in three forms: (*a*) a label to mark a product, (*b*) a shop card for display in a place of business, and (*c*) a button for personal use.

Whether or not a trade union can establish a demand for goods bearing its label depends upon a variety of factors: (1) on whether the goods are bought by unionists or by other classes in the community; (2) on whether the goods are ordinarily purchased by men or women; (3) on whether the goods are of such a character or are purchased under such circumstances as to make it possible for other unionists to know whether the unionist purchasing the goods is buying union or non-union goods, and (4) on whether the purchase is one frequently repeated or only one made at considerable intervals. The influence of these factors will be considered in this order.

1. As has already been noted, the unions have for some years almost entirely abandoned the attempt to promote the demand for label goods among those sections of the purchasing public not closely identified by sympathy with the unions.

The general rule that label goods are demanded chiefly by unionists is strikingly illustrated by the differences in the demand for such goods in different sections of the country. Where large manufacturing or mining interests absorb a large part of the attention of the population and the workers are well organized, as in the coal fields of Pennsylvania and the Middle West, in the mines of the Western States, or in the manufacturing towns of the Middle West, the demand for label goods is more than proportionately strong. The aggregation of large numbers of unionists produces an intensity of pro-union feeling which contributes greatly to the sale of label goods. For the same reason there is no considerable demand for the label on the more expensive grades of goods. Cigars selling at over ten cents rarely have the label. The majority of hats having the label are of middle quality. The

[1] Adapted with permission from E. R. Spedden, *The Trade Union Label*, pp. 16 ff. (Johns Hopkins Press, 1910.)

best grades of hats, even though made in union factories, do not carry the label, for purchasers of hats at five dollars and over would be more likely to be repelled than attracted by the label.

2. It is of prime importance, if the demand for the label goods of a union is to be strong, that the purchase of the particular goods should be made by the men and not the women of the family. It would be difficult to name a single article ordinarily purchased by women in which there is a strong demand for label goods.

3. A very large part of the demand for label goods depends upon the pressure of union opinion. Many trade unionists buy label goods not because they believe in the label as an instrument for advancing the interests of the wage earners, but because they fear the reprobation of their fellow unionists if they do not do so. One element of strength in the Cigar Makers' and Brewery Workers' labels lies in the fact that a certain publicity ordinarily attends the purchase of cigars or beer. It is a matter of frequent complaint among the Cigar Makers however that although unionists when in groups almost always buy union-made cigars, they are not so careful when they are alone and in places where the character of their purchases is not likely to be noted. It is one of the elements of weakness in the demand for the Cigar Makers' label that the label is not and cannot very well be imprinted or pasted on the cigar. A trade unionist having purchased a cigar or several cigars of non-union make does not fear detection by his fellow unionists. It is only at the time of purchase that pressure can be exerted. On the contrary, articles of wearing apparel such as hats, shoes, and garments have labels durably placed on them, and if a unionist has purchased a hat without the label some untoward chance may at any time reveal the fact to his fellow unionists.

4. A final factor in the demand for the label and one of great importance is whether the purchase is one made frequently or at considerable intervals. The purchase of cigars, hats, shoes or garments is a recurring act, while the purchase of many other goods used by unionists is only infrequently made, perhaps once or twice in a lifetime. In the former case the unionist learns to associate the label with the particular commodity, and successive purchases strengthen the habit of asking for goods bearing the label of a particular union. In the case of articles purchased only at long intervals, as for instance a kitchen range, the unionist has probably not had his attention drawn to the fact that there is a label on such goods.

2. THE BOYCOTT

a) BEGINNINGS OF THE BOYCOTT IN AMERICA[1]

In the strike, the worker uses his power of persuasion or coercion, only in his position as producer. The unionists of the eighties in the United States found that in many instances a threat to strike failed greatly to disturb the employer. The workers therefore came to realize that they had utterly neglected to use their power as consumers. "Let us tell the unfair employer that he may fill our places with other workmen, but that he will be unable to sell the goods his new employees produced."

Along such lines were they beginning to reason in the early eighties, about the time that the word "boycott," accompanied with tales of the effective ostracism of the English landlord class, was borne in upon them. It was a period in America of widespread labor troubles, waged for the most part by the then prosperous Knights of Labor, an organization especially adapted to appeal effectively to large masses of friendly consumers. The weapon was naturally seized upon with vigor.

In the words of the New York Bureau of Statistics of Labor:

> If a body of workmen feel that a strike is the only way of enforcing their claims, they will try to make that strike valid, and to bring it to a crisis by adopting any other legal method which will further embarrass the employer. The strike is negation. The boycott is action. It is simply a question of logical sequence. *If the employer can dismiss his dissatisfied work people and replace them, the burden falls on the shoulders of labor, alone. If, on the other hand, the workman resorts to boycott, he intercepts the employer's profit.* Boycotting possesses this one merit over striking—it is less costly. In some instances the men return to work and, as far as surface indications go, the war with the firm is at an end. Not so with the boycott. Its work is quietly but persistently directed against the sale of the goods of the firm. The union itself is put to little expense. Beyond printing and distributing the boycotting circulars and sending committees to visit sister organizations, the outlay is very small. If it is an article which enters into daily consumption and is of such a character that it can be made the subject of ordinary conversation, it will soon force the employer to expend money in advertising it, in order to counteract the silent influence of the boycott.

[1] Taken with permission from H. W. Laidler, *Boycotts and the Labor Struggle*, pp. 56–59. (John Lane Co., 1914.)

b) DEFINITIONS AND CLASSIFICATION OF BOYCOTTS[1]

A boycott in labor disputes may be defined as a combination of workmen to cease all dealings with another, an employer or, at times, a fellow worker, and, usually, also to induce or coerce third parties to cease such dealings, the purpose being to persuade or force such others to comply with some demand or to punish him for non-compliance in the past.

Boycotts may be divided into *negative* and *positive* boycotts. The primary purpose of negative boycotts is to secure for "fair" firms the patronage of labor and its friends. Indirectly, they divert trade from "unfair" employers. In the prosecution of this form of boycotts, a *union label* is usually placed on goods as a guarantee to the trade unionists and to the public generally that the goods are produced under conditions favorable to the unions. "White" or "fair" lists which announce to the public those who have complied with trade union conditions are also printed and distributed.

The *positive boycott* generally takes the form of the "*unfair*" or the "*We don't patronize*" list and the *boycott proper*.

The unfair list is a list of those firms which, from the standpoint of the trade unionists, are unfair to labor. The list is published for the most part in trade union periodicals, or posted at trade union headquarters. Publication in the papers of one trade often leads through "courtesy" to publication in other trade journals. Unionists are supposed to cease all dealings with those whose names thus appear. Since February, 1908, following the Danbury Hatters and Buck's Stove decisions, the "We don't patronize" list has been of little importance.

The boycott proper may be divided into the primary, the secondary and the compound boycott. A primary boycott may be defined as a simple combination of persons to suspend dealings with a party obnoxious to them, involving no attempt to persuade or coerce third parties to suspend dealings also. Thus, if workmen in one industry go on a strike against a firm and agree to refuse to purchase any product from that firm, without endeavoring to persuade others to do likewise, a primary boycott will be the result. This form, however, is rarely used in labor disputes as it is comparatively ineffective.

A *secondary* boycott may be defined as a combination of workmen to induce or *persuade* third parties to cease business relations with

[1] Taken with permission from H. W. Laidler, *Boycotts and the Labor Struggle*, pp. 60–68. (John Lane Co., 1914.)

those against whom there is a grievance. A *compound* boycott appears when the workmen use *coercive* and *intimidating* measures, as distinguished from mere persuasive measures in preventing third parties from dealing with the boycotted firms.

There are three important points of attack against a boycotted employer in the use of the secondary and compound boycott. An endeavor is often made to boycott him through (*a*) *inducing or coercing his employees to quit working for him.* One of the weapons employed in carrying out this form is picketing.

Secondly, the workmen often attack the source of supply, and try to (*b*) *induce or coerce wholesalers, jobbers, manufacturers or mining companies, as the case may be, to refuse to sell any further supplies to the employer under the ban.* This latter method is used most extensively in the building trades where the products disposed of are not finally sold to the general public, but are used in the construction of buildings.

The third and generally the most important method of injury is the (*c*) *inducing or coercing of customers to withdraw their patronage* from the obnoxious concern.

The arguments used to obtain the co-operation of these third parties may be merely persuasive or coercive in their nature. The employee may be urged simply in the interest of his class to quit his job in order to prevent the employer from winning the dispute. He may be threatened with violence or he may be inconvenienced in the matter of securing a boarding place, or obtaining provisions, on account of the threat of the workers to refuse to patronize those harboring or selling to him.

In the building trades and other industries the supplier of material may be induced through his sense of justice to refuse to sell further supplies to the firm opposed by organized labor. He may be confronted, and often is confronted, on the other hand, with a threat that the members of organized labor in other building trades will refuse to work on material supplied by him, so long as he continues to deal with the "unfair" employer. If this threat does not prove an inducement the workers may then appeal to the building contractors to cease purchasing supplies from this third party, and threaten the contractors with a strike of all the workers on the building if they continue their dealing. By this method the contractors often bring sufficient pressure on the manufacturer to induce him to refuse to

supply the obnoxious employer with further goods, and the employer in turn is often thus induced to concede the demands of the workers.

Finally a *tertiary* or very indirect boycott may be instituted against those citizens who continue to purchase from stores selling "unfair" supplies. In these cases actual violence is comparatively rare.

c) THE METHODS OF BOYCOTTING[1]

After a boycott is declared, circulars setting forth the claims of the union are sent to all unions which seem likely to be in a position to aid. Special letters are sent to many. Circulars are also distributed among the public generally, if the concern has a local patronage, and if the goods sold are purchased by large numbers of the laboring class.

The trade unionists are asked to give funds to aid in the boycott, to send their delegates to dealers in the boycotted articles, and to write letters of protest to the unfair establishments. Delegates from the original union are frequently sent to present their claims before the trade unionists of other cities, urging co-operation.

Until 1908 the "We don't patronize" list, containing the names of firms which had not conceded labor's demands, was published in the *American Federationist* and other labor papers. As a feeble substitute at the present time, the labor periodicals now often call attention to and recite the facts of union struggle leaving it to organized labor to "do the right thing."

Various devices, such as "sandwich men" and transparencies, are used to draw attention to the fight. The central labor unions of each city are often effective agents to further the interests of boycotters.

The ingenuity of the unionist is frequently put to a test in his endeavor to discover those who deal with the boycotted concern. Many are the complaints of the manufacturers that their goods are followed to the trains, and the names of the patrons secured before shipment. One firm complains that its salesman was followed across the continent to the Pacific Coast by a delegate from the trade union, and that its dealers were visited and induced to cancel their orders. In the case of the newspapers, the paper's advertisers are often seen and urged to discontinue advertising in the "scab" paper, under penalty of the boycott.

[1] Adapted with permission from H. W. Laidler, *Boycotts and the Labor Struggle*, pp. 67-68. (John Lane Co.)

d) THE FUNCTION OF THE BOYCOTT IN MODERN INDUSTRIAL LIFE: REASONS FOR THE OBJECTIONS TO IT[1]

The boycott arises—first, where organization by any other means is either impossible or unlikely because of the apathy of workmen or the hostility of employers, and, second, to supplement strikes which threaten to be unsuccessful because the employer has succeeded in replacing strikers with strike-breakers. In both cases the boycott is an indispensable resource of labor organizations.

In a campaign of organization which lasted perhaps less than a decade and in which the boycott played a prominent part, the Hatters' Union succeeded in organizing one hundred and sixty-six of the one hundred and seventy-eight fur hat manufacturers of the country. Nor is it correct to assume that the need for the boycott as an organizing agency has now passed. There still remain whole sections of industries and individual establishments which it will be impossible to organize without the employment by the laborers of their combined purchasing power.

The objection might here be urged that, although the primary boycott bears a close analogy to the strike, the secondary boycott is distinctly different in effect from the simple strike, since, like the sympathetic strike, it inflicts injury upon an innocent third party. For example, a strike against the Buck's Stove and Range Company affects that company alone; a boycott against the same company usually affects also its customers, who are in no wise parties to the original dispute and against whom the union has no grievance. As industry is now constituted, such a result is inevitable.

Another quality that distinguishes a boycott from a strike is its permanence. When a strike is declared off, the factory resumes its work as before. The publicity given the boycott, on the other hand, and the deep feelings of hostility engendered by its prosecution produce more lasting effects. A commodity once advertised as unfair retains the stigma for a long time after the boycott is raised.

e) AN EFFECTIVE BOYCOTT IN ACTION—THE DANBURY HATTERS' CASE[2]

In 1897 the United Hatters of North America began a national struggle for the closed shop. According to the *Hatters' Journal* 16 firms were unionized as the result of the boycott within a period of

[1] Adapted with permission from Leo Wolman, *The Boycott in American Trade Unions*, "Johns Hopkins Studies," XXXIV (1916), 138–44.

[2] Adapted with permission from Harry W. Laidler, *Boycotts and the Labor Struggle*, pp. 151–56. (John Lane Co., 1914.) "The Supreme Court Decision in the Danbury Hatters' Case," *Survey*, XXXIII, 415–16. (Copyright, 1915.)

18 months. In April, 1901, Roelof & Company, of Philadelphia, were especially subjected to the attention of the unionists. It is estimated that the expenditure of $23,000 by the unionists caused Roelof a loss of some $250,000 during the boycotting period.

Then an effort was made to unionize the factory of D. E. Loewe & Company of Danbury, Connecticut. Unionists proposed a closed shop to Loewe, referring to the fate of other hatters who had withstood their demands. Loewe, however, refused to concede. In July, 1902, 250 employes were called out. The shipping clerk was employed by the union to discover the destination of the various assignments. He rode on the wagons, made observations in the streets and at the railway stations, and reported the results to the union. Customers' names were immediately sent to the unions in whose towns the goods were to be delivered, and unionists were requested to write to, or call upon, the dealers and to persuade them to cease their dealings. Five organizers were routed among unions and leaders in different parts of the country. Boycott advertisements appeared in the trade and labor journals and descriptions—false according to the company—of labor conditions at Loewe's were sent broadcast.

The company claimed that this warfare was most effective; that, during 1901, the firm made a net profit of $27,000, which decreased into a $17,000 net loss in 1902, after the boycott began, and into one of $15,000 during 1903. In 1903 the company claimed the loss in gross business was $325,390; that the loss of gross business in 1902 was much less, but still very substantial. The company concluded that the net damage caused by the boycott amounted to more than $88,000. These items, the company declared, did not take into consideration the normal increase in business during the years 1902 and 1903.

Loewe & Company first filed a suit against the Danbury hatters' union in the United States Court at Hartford, in 1903, charging them with violating the Sherman Anti-Trust law. The Supreme Court of the United States upon being asked for a ruling on the damage clause of the Sherman law declared that the boycotting case came within the statute as a conspiracy in restraint of trade among the several states. In 1909, the case was brought to trial.

Over 200 witnesses testified for the defendants, and the trial lasted nearly five months. The jury brought in a verdict of $74,000 damages against the union. This amount was trebled under the triple damage provision of the Sherman law.

A retrial of the case was held in 1912, the jury delivering a verdict of $80,000 and costs. The total award was $252,130. The jury

took the position that the minutes, resolutions, reports, proclamations, and printed discussions which the officers and agents of the association publicly proclaimed and circulated among the membership were approved or warranted by the individual members of the association.

An appeal was taken to the Supreme Court. In January, 1915, it reaffirmed the judgment for $252,130. The decision stated:

> The circulation of a list of unfair dealers, manifestly intended to put the ban upon those whose names appear therein among an important body of possible customers, is within the possibilities of the Sherman act if it is intended to restrain and restrains commerce among the states.
>
> It requires more than the blindness of justice not to see that many branches of the United Hatters and the Federation of Labor to both of which the defendants belonged, in pursuance of a plan emanating from headquarters, made use of such lists and of the principal and secondary boycott in their effort to subdue the plaintiffs in their demands.

The main question, then, to be determined was whether or not the 186 members of the union whose homes and bank accounts had been attached had, by their actions, authorized the boycott. The court held that the acts could be presumed to be authorized, and the members of the union could be held liable if the latter "paid their dues and continued to delegate authority to their officers unlawfully to interfere with the plaintiffs' interstate commerce in such circumstances as they knew and ought to have known, and such officers were warranted in their belief that they were acting in the matters within their delegated authority."[1]

f) ATTITUDE OF COURTS TOWARD BOYCOTTING PRIOR TO THE CLAYTON ACT

i[2]

Attitude of our courts toward boycotting.—At the present time the great weight of authority both in federal and state courts has been against the secondary (indirect) and compound (coercive) boycott.

In the Danbury Hatters' decision of the Supreme Court made in 1908, it was held that boycotting, if interstate in its nature, could be reached by the Sherman Anti-Trust Law. Prior to this decision came the Debs case of 1895, in which the boycotting indulged in during

[1] The individual members were, however, relieved of most of the burden by the agreement between their locals and the national (the United Hatters) whereby the latter was after all to bear the fine.—EDITOR.

[2] Adapted with permission from H. W. Laidler, *Boycotts and the Labor Struggle*, pp. 234–40. (John Lane Co., 1914.)

the Pullman strike was declared to have been in violation of the Interstate Commerce Law, and to have interfered with the United States mails. In the Buck's Stove Company case, the Supreme Court of the District of Columbia decided that the "We don't patronize" list could be enjoined as well as other forms of secondary and compound boycotting.

The vast majority of state courts have also up to the present time vigorously condemned the boycott.

While in many states the courts of last appeal have not as yet rendered decisions, the indications are that if malice, threats or lack of legitimate interest are shown in the conduct of the boycott the use of this weapon will probably be pronounced illegal. It might be stated with some degree of accuracy that some twenty-five states have definitely disapproved of the use of this device.

Perhaps a total of five or six states can be classed as favoring the employment of the secondary (indirect) or mild forms of the compound (coercive) boycott.

Legal remedies.—Boycotters may be prosecuted by the state in the criminal courts; they may be sued by the party injured in civil courts; they may be enjoined by the courts of equity from continuing their boycotting activities.

In criminal procedure boycotters are arrested, charged with violating those statutes which prohibit criminal conspiracy and other crimes. On conviction they are subject to imprisonment or fine.

In the application of the civil remedy, individually or as a union, they are sued in a civil court for damages resulting to the business of plaintiff. The common law principles chiefly are applied in these cases.

Boycotters are also subject to the equitable remedy of injunction. The plaintiff in this case is required to show that the injunction is necessary in order to prevent an irreparable or unascertainable loss; and that there is no adequate remedy at law—that the resort to the law court would necessitate a multiplicity of suits or would not lead to a recovery of damages on account of the irresponsible character of defendants. If the injunction is not obeyed, contempt proceedings can be resorted to.

Recently the boycott has been brought under the provisions of the Sherman Anti-Trust law. If found guilty, under this act, the defendants are liable for treble the amount of damages. An interference with interstate commerce must be shown in this case.

To sum up, the great majority of courts, federal and state, deciding on boycott cases, have expressed their disapproval of the use of the secondary and compound boycott, although a few courts have proclaimed the practice a legitimate one. In those states where the courts have pronounced boycotts illegal, the boycotter may be subjected to a suit for damages, to a criminal prosecution or to an injunction order.

ii[1]

A crucial issue in the labor law of today centers upon the "boycott." Our discussion of the subject must be understood to relate only to the procurement of business isolation by means not unlawful per se, i.e., peaceable persuasion of customers, not under contract, to sever their relations with the employer, or at most the compulsion resulting from a simple refusal on the part of union men to work for or deal with such customers unless they cease to do business with the person attacked.

The tendency in the earlier cases was to apply the "justification" test to these measures as well as to others not intrinsically illegal. But the latest judicial utterances upon the subject exhibit a *growing inclination on the part of the courts to prohibit unconditionally any attempt by the labor unions to exert pressure upon their enemies through the medium of disinterested third parties.* This principle that "secondary boycotts" are unlawful has been copiously discussed in the latest decisions, notably in the now famous case, "*Buck's Stove and Range Co.* vs. *American Federation of Labor, et al.,*" through which, by reason of the prominence of certain labor leaders who are now under a jail sentence for violating its terms, the subject has been forcibly brought to the attention of the public.

We find that the arguments upon which it is attempted to establish the illegality of such boycotts are reducable to two basic prosposition: (1) Every man engaged in business has a legal right to a free market in which to purchase his labor and sell his product; (2) the acts of a combination of persons who, by the characteristic method of the boycott, render it difficult or impossible for him to buy or sell in these markets violate his legal rights therein.

It is manifest, first of all, that there is nothing in the quality of the damage inflicted by a boycott to give it the character of a legal wrong. A stoppage of the labor supply of an establishment may lead

[1] Adapted with permission from John W. Bryan, "Proper Bounds of the Use of the Injunction in Labor Disputes," *Annals American Academy Political and Social Science* (1910), pp. 291–98.

as straight to bankruptcy as does a stoppage of the sale of finished goods, yet it is perfectly legal to strike and to persuade other persons to strike. Again, it is generally held that the conduct of a competitor in interfering with his rival's market of sale by underselling him, or by offering certain trade advantages to such customers as deal exclusively with himself, gives the rival no right of action, although it results, and is intended to result in driving him out of the market. Neither the quantity nor the quality of the damage so inflicted supplies the necessary element of *injuria.* Many courts profess to find the necessary leaven of illegality in the "coercion" or "intimidation" practiced upon the complainant's customers to "compel" them to interrupt, their trade relations with him. But a careful analysis of what the unions engaged in a peaceable boycott really do must reveal that their acts cannot be brought within the legal meaning of these terms. The unions simply impose conditions upon the continued bestowal of their business patronage, which they have an undoubted right to give or withhold as they will. They inform the person who has business relations with themselves and also with the person attacked, that in the future he may not deal with both parties to the dispute. He is required to choose between them. But his choice is untrammelled by any consideration other than that which influences the decision of everyone engaged in competitive business, i.e., regard for his own economic welfare. He settles the question according to his determination as to whose patronage is the more valuable to him. This is "coercion" in only a figurative sense of the word.

The complainant has no vested right in the mental state of another person. He cannot denounce as "intimidation" the natural regret which his customer may feel at being required to give up one line of patronage in order that he may keep another that is more valuable to him, and utilize it as a ground of action against those who made the choice necessary. Coercion by unlawful acts does give him just cause of complaint, upon the theory that illegal acts productive of damage to him are none the less wrongful as to him because they operate through the medium of third persons. But *it is difficult to conceive of any theory upon which acts not unlawful as to the third party become wrongful as to the complainant merely because their operation is transmitted* to him through the third person rather than directed immediately against himself.

The force of these considerations has caused the courts in some jurisdictions to seek further for the necessary taint of illegality in a

boycott. Not infrequently they find it in the fact that the damage complained of has resulted from the action of a number of persons acting in concert. There is developing a noticeable tendency to hold that a combination of persons may not perform certain acts which each member of the combination would have a perfect right to do if acting singly, by reason of the vastly greater harm which can be inflicted by the combination. A sufficient answer to this new principle is found in the firmly established principle of the common law, that an act lawful in itself is not rendered unlawful by being done by a combination of persons. In other words, whatever a man has a right to do individually, he may legally do in concert with other men who possess similar rights. The contrary view would render unlawful every hostile act done by a labor union and productive of damage.

It should be noted also that this founding of liability upon the *number* of persons who join in the act takes no account of the damage of similar character that a single person, under present industrial conditions, might be in a position to inflict. The refusal of a single wealthy manufacturer or powerful corporation to deal with a person as long as he continues to deal with another might have an infinitely more "coercive" effect than would similar action by a local trade union.

A much more logical course is pursued by those judges who lay down broadly that no person or combination of persons may intentionally inflict damage upon another, even by methods not intrinsically unlawful, except for the purpose of securing some direct economic advantage to themselves commensurate with the injury done to the person attacked. The adoption of this principle should remove interference with peaceable boycotts inaugurated for "justifiable cause," while leaving in full operation the power to enjoin unjustifiable boycotts.

Still, the new principle is undoubtedly at variance with the established rule of the common law, that an act otherwise legal is not rendered unlawful by the existence of a bad motive in the mind of the doer.

Finally, we cannot overlook the complaint of the labor unions that the courts with all their legal ingenuity have never been able to discover any principle whereby they can effectually protect the laborer from "blacklisting," although he may suffer greater proportionate damage therefrom than is inflicted upon an employer by even the most widespread boycott. The conclusion seems to follow,

therefore, that the common law furnishes no sufficient authority to the courts for their action in issuing injunctions against secondary boycotts.

g) THE NATURE AND PURPOSES OF THE INJUNCTION

i. A Legal Definition[1]

A prohibitory writ issued by a court of equity to restrain the defendants from doing, or permitting others under his control to do, an act which is deemed to be inequitable as regards the rights of some other party to such proceedings in equity.

Preliminary (temporary) injunctions are used to restrain the party enjoined from doing the wrong complained of before the rights of such party have been settled by the court. The sole object of the preliminary injunction is to preserve the *status quo* until the merits can be heard. Final (permanent) injunctions are issued when the rights of the parties, so far as relate to the subject of the injunction, are finally disposed of by the order of the court.

No temporary restraining order shall be granted without notice unless it clearly appears that immediate and irreparable loss will result before the matter can be heard on notice, in which case there must be a hearing within ten days. The opposite party may move to dissolve the temporary restraining order on two days' notice and the matter shall be heard as speedily as possible.

ii. The Object of the Injunction[2]

The object of the injunction is generally protective and preventative rather than restorative. It is ordinarily used to prevent wrongs or injuries.

iii. The Principle behind Injunctions[3]

Equity will not undertake to prevent an injury by an injunction unless the injury is irreparable. An injury is irreparable when it cannot be adequately compensated in damages or when there exists no certain pecuniary standard for the measurement of the damage. This inadequacy of damages as a compensation may be due to the nature of the injury itself, or to the nature of the property injured

[1] Adapted from *Bouviers Law Dictionary*, II, 1569.

[2] Adapted from H. C. Joyce, *A Treatise on the Law Relating to Injunctions*, I, 2*a*. (Mathew Bender & Co., Albany, N.Y.)

[3] Adapted from Henry W. Rogers, "Injunctions," *Cyclopedia of Law and Procedure*, XXII, 762–64.

and many courts have said that it may also be due to the insolvency or want of responsibility of the person committing it.

h) AN ACTUAL INJUNCTION

In May, 1919, about thirty workmen employed by the Thomas G. Plant Shoe Company of Boston, Massachusetts, struck, asking for the reinstatement of an employee whom they charged had been discharged because of his union activities. Large numbers of other workmen in the plant struck from time to time both in sympathy with those that had originally left and to secure the recognition of their several unions. By the end of June, it was estimated that some 2,500 were out on strike. The firm secured a temporary injunction in September, 1919, and in November, 1920, the following final injunction was handed down by the Superior Court of Suffolk County.

THOMAS G. PLANT COMPANY
vs.
FRANK GOULD, *et al.*

FINAL DECREE

This case came on to be further heard at this sitting of court and thereupon, upon consideration thereof, it is ordered, adjudged and decreed, that:—the defendants, Frank Gould, John Burke, Mary Smith, Sarah McDonald, William H. Watson, Emelio Marotta and Frank Franzosa, and all the members of the United Shoe Workers of America, Local No. 73, and all the members of the United Shoe Workers of America, Local No. 15, and all the members of the Allied Shoe Workers Union of Greater Boston, Massachusetts; and all who hereafter become members of any of said organizations, and the agents, servants, and attorneys of each and all of them, are permanently enjoined from proceeding with or in any way encouraging or supporting the strike described in this Bill of Complaint, or any future strike called for any of the purposes alleged in the bill; and from paying strike benefits to any of the former employes of the plaintiff now on strike! and from in any way intimidating any of the former employes of the plaintiff who may desire to return to work; and from intimidating in any way any of the present employes of the plaintiff; and from inducing or endeavoring to induce any person now or hereafter in the employ of the plaintiff to leave such employment; and from inducing or endeavoring to induce, compel or persuade any employe of the plaintiff who may be under written contract of employment with the plaintiff, whether such contract be terminable at will or not, to abandon, breach or otherwise cease fully to perform such contract; and from interfering in any way with the business of the plaintiff with any person or concern whether or not a member of said union; and from following any of the workmen of the plaintiff in groups; and from dissuading persons from accepting employment with the plaintiff; and from purposely interfering with employes or customers of the plaintiff in the use of the public highways; and from persistently talking with such employes regarding their employment or their relations to the defendant after they may have definitely objected to further conversation on such subjects; and from applying opprobrious epithets to them; and from assaulting any of such workmen or encouraging others so to do; and from holding out the plaintiff as being unfair or prejudiced against Union Labor; and from in any way or manner picketing the plaintiff's factory or offices; and from endeavoring by pamphlets, circular letters or otherwise to persuade customers of the plaintiff or others using its manufactured product to cease or refrain from having business dealings with it; and from endeavoring to promote in any way a closed shop in the plaintiff's factory, and from doing anything designed so to place any of the plaintiff's employes as more effectually to demand or require a closed shop in the factory of the plaintiff or in any line of work therein conducted; and from interfering in any way with the plaintiff in its dealings or contracts with its employes as individuals.

By the Court,
GUY H. HOLLIDAY
Asst. Clerk

1920, Nov. 4

i) PROPER BOUNDS FOR THE USE OF THE INJUNCTION IN LABOR DISPUTES[1]

The jurisdiction of equity to interfere by injunction to *some* extent in labor disputes cannot be seriously questioned at the present day. In so far as the courts restrain the performance by employer and workman alike of those acts only which plainly infringe upon the property rights of another person, to his immediate and irremediable damage, their action is clearly beyond the reach of legitimate criticism. American labor leaders, however, protest the use of the injunction on the ground that since its violation subjects the offender to punishment by fine and imprisonment for contempt of court, after a summary trial conducted by the equity judge alone, the effect is to deny him his constitutional right to be tried by a jury.

So far as now appears, these trials have been fairly conducted. The accused has been given every opportunity to establish his innocence; and when he has been convicted, there has been little doubt that he had done the acts charged. Since, by our very hypothesis, the acts enjoined were criminal, it cannot be said that the accused

[1] J. Wallace Bryan, "Proper Bounds for the Use of the Injunction in Labor Disputes," *Annals of the American Academy* (1910), pp. 288–301.

ought not in good conscience to have been punished for them, or that in being forbidden to perform them he was unduly restrained of his liberty.

A much more serious problem is presented by the action of the courts in forbidding the doing of acts that are not ordinarily regarded as unlawful. Modern authority in this country does not sanction an injunction against the act of striking, singly or in combination, for a good or bad reason. It is reasonably certain, moreover, that if the strike is begun for the purpose of directly advancing the substantial economic interests of the strikers, the court will permit them to utilize a number of peaceful measures, in addition to quitting work, to force their employer to terms. Quiet and reasonable requests, persuasion and arguments, that do not partake in any degree of intimidation, may be addressed to workmen hired in the strikers' places to induce them to join the strike.

There is considerable authority, however, for the proposition that these same acts, if not inspired by "justifiable cause," give rise to legal responsibility to the party injured thereby, and may be enjoined regardless of their intrinsic nature, upon the theory that the malicious intent to harm another may render unlawful acts otherwise innocent.

The present attitude of the American courts toward labor disputes tends to breed evils as serious as those which they are endeavoring to remedy. They announce that labor cases, like all others, must be decided according to law, not expediency, and the argument of counsel is largely confined to the discussion of legal, not economic principles. Yet when the decisions are rendered it is too often apparent that the courts have in reality disregarded established legal principles in order to register predetermined economic views based upon only a rudimentary knowledge of the situation. The result is to engender in the minds of the laboring classes a deep sense of injustice; a growing conviction that even the law of the land cannot overcome the bias of the courts in favor of the employing class. The consequent impairment of the workman's respect for and confidence in the courts is not to be lightly regarded. Its fruits are seen in the appearance of the anti-injunction bills, and demands that all judges shall be chosen by popular election and for short terms; upon the not unreasonable ground that if, instead of applying the law, the judges are also to make sweeping changes of questionable value in its content, the people should be in a position to exert due influence upon the process.

In the future, therefore, the courts will act the wise part if they interfere by injunction in labor disputes to restrain the doing of acts

only that are plainly wrongful according to existing law. Requests for action that would involve unauthorized extensions of their power to prohibit should be refused, with the answer that the law does not warrant judicial interference with the acts complained of, and that changes of such radical character must be made by legislatures.

See also chapter xxviii, The Courts and Organized Labor.

3. RESTRICTION OF ENTRANCE TO THE TRADE

a) DIFFICULTY OF TRAINING BOY WORKERS TODAY[1]

In order that the apprentice may become skilled in more than one simple and minute class of work, he must be transferred from machine to machine and from department to department. At the moment when the apprentice becomes proficient in any particular operation he should be transferred. Since the foreman, however, is naturally more interested in the production of machines today than in the training of a boy who may become a skilled worker tomorrow, and who may get a job elsewhere, the constant temptation is to teach him a few simple operations and to pass on to him certain portions of the work hitherto done by skilled men.

b) EXTENT OF APPRENTICESHIP LIMITATIONS AND THE PROBLEMS OF AN EQUITABLE RATIO[2]

Many unions composed of skilled men demand that the number of apprentices in a shop be limited. The length of apprenticeship insisted upon is usually three or four years. The common ratio of apprentices to journeymen is one to five. In some of the building trades a progressive restriction is agreed upon. Only a comparatively small number of unions are able effectively to enforce limitation rules.

The unions having about three-fifths of the total membership do not restrict apprenticeship; the unions actually enforcing apprenticeship rules contain less than 7 per cent of the total membership.

In view of the long-continued controversy over the limitation of apprentices, it is fitting to inquire what ratio of apprentices will maintain a supply approximately equal to the demand for skilled men. One rough but fairly adequate test may easily be applied by comparing the number of males in the United States of apprenticeship

[1] Adapted with permission from Frank T. Carlton, *History and Problems of Organized Labor*, p. 144. (D. C. Heath & Co., 1911.)

[2] Adapted with permission from Frank T. Carlton, *History and Problems of Organized Labor*, pp. 145–46, 149. (D. C. Heath & Co., 1911.)

age with the total number of males of journeymen age. The age of apprenticeship may be taken to be from sixteen to nineteen years inclusive. According to the census of 1900, there were approximately three million males of these ages in this country. If the journeyman age be held to extend from twenty to forty-four years inclusive, there were nearly fifteen million males in this group. This rough and easily criticised method indicates that the ratio of apprentices to journeymen should be at least one to five. If allowance be made for probable growth in the industry, it seems reasonable that a ratio of one to four and one-half would not be excessive.

c) THE HELPER AND TRADE UNION POLICY[1]

The essential marks of a helper as here defined are two: first, he is employed *to promote the work of another;* second, he is supervised in his work to some extent by the mechanic whom he assists.

On the other hand, an apprentice is one who, by promise, for a specified time, is being taught the trade. The helper, though he may be a learner of a trade, is primarily employed because he supplies an economic need, and in fixing his wages nothing is deducted for instruction given. On the other hand, an apprentice may assist a journeyman, but the primary purpose for which he is engaged is that he may be taught the trade.

Since labor organizations in the United States have been formed largely on craft lines, it was until recently the common practice of craftsmen to exclude from their organization all auxiliary workmen.

In trades or industries where the journeymen hire and pay helpers the journeymen are frequently not consistent in their attitude toward collective bargaining. For instance, the potters in agreement with the firms establish a wage scale. As employees the journeymen potters certainly think it fair and just that they, collectively, shall have a voice in fixing wages. However, as employers, the journeymen attempt to fix the wages of helpers.

Again, the Marble Workers' Union stipulates that no helper can be advanced in the trade to the detriment of journeymen or apprentices. Naturally the helpers feel that they have a better chance for promotion outside of the union than they have in it.

On the other hand, no independent unions of helpers (with the exception of the Firemen, who are a superior type) have been successful

[1] Adapted with permission from John H. Ashworth, *The Helper and American Trade Unions*, "Johns Hopkins University Studies in Historical and Political Science," Vol. XXXIII (1915).

—due apparently to the helpers' lack of initiative and organizing ability. Consequently, the vast majority of helpers remain unorganized, and this has a deleterious effect not only upon their own status but upon that of the journeymen they assist.

Where the helpers are admitted with the journeymen, a double problem arises.

Problems of the mixed national containing separate locals.—In most instances where a national union is made up of both journeymen's and helpers' local unions, the journeymen insist that the helpers' lodges shall be subordinate in some way to their own.

In unions which have helpers and journeymen in the same local lodges, disagreements concerning the wage scale and promotion are less tense than in unions where the helpers are in separate locals. The explanation is simple. Where helpers assemble in meetings under the domination of the mechanics, they do not have the same opportunity for launching movements designed for their own betterment.

d) THE APPRENTICESHIP PROBLEM AMONG THE PRINTERS[1]

The International has always refused to recommend to the local unions that they should adopt any one particular ratio of apprentices to journeymen. Consequently the small country offices where organization is weak have an almost unlimited number of apprentices while the large city offices, especially the newspaper offices, have absurdly few. This means that the force of the large office has continually to be replenished from the small office or the non-union office, and that the union must be incessantly engaged in training into the principles of unionism successive bands of recruits.

But another aspect of the question has always presented itself forcibly to the printers. The larger the office, the greater is the specialization; and where work is highly subdivided, apprentices ordinarily receive instruction in only part of the trade. The introduction of machines has greatly intensified the opposition of the printers to the employment of apprentices in large offices and especially in newspaper offices.

The interest of the union in securing a good training for apprentices is not merely a matter of sentiment. If a considerable proportion of those in the trade are so poorly taught that they can only be

[1] Adapted with permission from George E. Barnett, "The Printers, A Study in American Trade Unionism," *American Economic Association Quarterly* (1909), pp. 168–79.

employed at low wages, either the union must lower its minimum rate or it must be content to see them become non-unionists. The half-taught journeyman, if in the union, is thus a drag on the minimum rate, and if out of the union, he menaces the maintenance of the rate.

The training of apprentices differs widely according to the kind of office in which the apprentice is trained. In very small offices, the boy gets an all-round knowledge of the trade; but since the equipment and technique in such offices are not of high grade, he does not become highly skilled in any one branch. Before he can readily gain employment in the large machine offices, where wages are usually higher, he must acquire considerable skill in some one of the branches of the trade. On the other hand, the apprentice in the large machine office rarely obtains a knowledge of the trade as a whole.

4. THE EXCLUSIVE RIGHT TO THE WORK OF A TRADE—JURISDICTIONAL DISPUTES[1]

A striking illustration of the difficulties encountered by the employer when unionists fall out over the question of jurisdiction is found in the circumstances attending the erection of the Marshall Field and Company building in Chicago in 1906. It was decided by the builders to put in for cleaning purposes a new compressed air device which included two pipes running side by side, one carrying hot and the other cold water. These pipes ended in a sort of scrubbing-brush, and the compressed air drew the water back off the floor and into a waste pipe. The Plumbers succeeded in getting the contract to install this system, and had got as far as the fifth floor of the seven-story building when the Steam Fitters struck. When it appeared that no agreement could be reached, the owners, who wanted to hurry the completion of the building, announced that they would remove all cause for dispute by tearing out the cleaning system. This was not satisfactory to the Plumbers, who threatened to strike. Meanwhile the Steam Fitters had returned to work, but without any helpers, for the local union of steam fitters' helpers had withdrawn its members when the Plumbers made their demands. Because the steam fitters were not using helpers, the helpers' organization succeeded in getting several other trades to strike in sympathy with them, and work on the building was again tied up. Finally the matter was

[1] Adapted with permission from N. R. Whitney, *Jurisdiction in American Building-Trades Unions*, "Johns Hopkins University Studies," XXXII (1914), 98–104, 107, 109–110, 120–22.

submitted to arbitration and work was resumed. By these successive disputes a two million-dollar job was delayed for days on account of an original dispute over eight hundred dollars worth of work, although the piping in question was only one one-hundredth or one per cent of all the piping in the building.

5. UNION RULES RELATIVE TO TENURE AND PROMOTION: THE PRINTERS[1]

Until within a comparatively recent period, the rules of the union did not restrict the power of the foreman to hire and discharge.

In 1890 the International enacted the rule since known as the "priority law." Foremen might still "employ help at will"; but the grounds on which they might discharge were now stated. Incompetency, violation of rules, neglect of duty, and decrease of the force were to be good reasons for a discharge. A discharged employee was to have, on demand, a written statement of the cause of his discharge. Included in the rule was also a declaration that a woman competent to "sub" in an office was competent to hold a regular situation. The "priority law," as thus formulated and since developed, in the first place, limits the right of the foreman to discharge, and secondly, it gives to a substitute working in an office a preferential right as against an outsider to a vacant regular situation. For the sake of clearness, the two parts of the rule will be treated separately.

Tenure of position.—This rule has been altered until, in 1909, it requires that in case of a decrease in the force the person last employed must be the first to be discharged. The purpose of these changes was to make it impossible for a foreman to "weed out" his force in dull times. Wherever the "priority law" is enforced in its entirety and without evasion, the power of the foreman to discriminate between merely competent and better men is seriously diminished.

No part of the union's trade policy has met more serious criticism within the union, and the opponents of the rule have brought out with great clearness its more important results as follows: (*a*) The power of men of superior efficiency to secure employment in preference to workmen of fair skill is greatly lessened. (*b*) The incentive to high efficiency on the part of the workman is lessened. (*c*) The employer is less likely to pay superior workmen more than the minimum rate, for,

[1] Adapted with permission from George E. Barnett, *The Printers*, "Publications American Economic Association," (1909), pp. 228–42.

if they leave his service, they must begin at the bottom of the list in some other office. (*d*) Finally, the mobility of labor is decreased. A substitute with "priority" in one office cannot accept a situation in another office without losing his "priority" in the first. He therefore remains where he is, although the other situation may be better.

The effects of the "priority law" in the directions indicated are as yet slight, since the rule has been fully laid down only within very recent years, [1909] and, more important still, only a part of the local unions have applied themselves enthusiastically to its enforcement.

6. RESTRICTION OF OUTPUT

a) REASONS FOR RESTRICTION[1]

Restriction of output by employees is usually justified by the "lump-of-work" argument. According to the lump-of-work argument there is a certain quantity of work to be performed. This quantity is assumed to be practically fixed irrespective of the expenses of production. By "taking it easy," workers may make jobs for other workmen. Economists have often condemned the lump-of-work argument as a transparent fallacy; but the trade unionist still clings to it.

It must not be forgotten that the economist assumes freedom of competition and the mobility of labor, and that he is chiefly concerned with long periods of time. The trade unionist is interested in practical affairs in which economic friction bulks large, and he is intent upon the "short run." He sees that by "nursing" a particular job, he may work longer or another fellow workman may be employed. This is something tangible, the other is a remote and uncertain possibility.

Consider such a business as the stove or the window-glass industry. The demand for stoves or for window glass does not vary in a manner commensurate with changes in the market price of those articles. There is a demand which does not vary greatly from year to year; or, if it does vary, the variations are due to changes in business conditions rather than to any changes in the price of stoves or of window glass. From the point of view of the skilled stove molders or the window-glass workers, there is a real, concrete lump of work. If some of the stove molders or of the window-glass workers "rush" or "increase the pace," the others will be thrown out of a job. Some will be idle or they will be forced into other industries. Manufacturers clearly recognize that the market will carry only so much of their product, and a certain lump-of-work is required to make this product. It is this particular lump-of-work in which the trade unionist is interested. President Lynch of the Typographical Union is reported to have stated that the printers spent about $4,000,000 to establish the eight-hour-day, and that "for years to come there will be such a demand for printers that all who thoroughly learn the trade will be paid wages over any scale heretofore adopted."

[1] Adapted with permission from Frank T. Carlton, *History and Problems of Organized Labor*, p. 182. (D. C. Heath & Co., 1911.)

The lump-of-work argument is surely not fantastic as long as class or interest antagonisms play an important rôle in social and political affairs, and in a country where each person is still expected and urged to look out for "number one."

b) RESTRICTION OF OUTPUT BY ORGANIZED LABOR

i. Methods of Restriction[1]

1. The output per hour of the individual may be limited directly. Thus the bricklayers have a rule that bricks shall not be laid with more than one hand, and prohibit the use of any implement other than the trowel in spreading mortar. Some years ago the carpenters of Chicago adopted the following rule: "Any member guilty of excessive work or rushing on any job shall be reported and shall be subject to a fine of five dollars."

2. Certain regulations relating to the use of machines also aim at restriction of output. Five distinct classes may be distinguished: (*a*) the actual prohibition of the use of the machine, attempted by the window-glass workers and the cigar makers; (*b*) the limitation of the output of the machine, as required by the soft coal miners; . . . . (*d*) requiring several men upon one machine, as is demanded by the pressmen and the stone cutters; (*e*) requiring skilled men to operate the machines, as has been done by the printers in regard to the linotype.

3. Union regulations in regard to division of labor may cause restriction of output. Some unions have attempted to prevent the splitting up of skilled work. Subdivision of labor, at least within certain indefinite limits, increases the dexterity and the proficiency of members of a group and tends to increase the total output of the group. It must not be overlooked, however, that subdivision of labor is often utilized as a method of reducing wages rather than of increasing output.

[1] Adapted with permission from Frank Tracy Carlton, *History and Problems of Organized Labor*, pp. 129–30. (D. C. Heath & Co., 1911.)

ii. Interference with the employer's method of wage payment

The policy of a union in substituting day work for piecework excludes an undoubted method of inciting speed, and is therefore as much of a restriction on output as would be the exclusion of a speed-increasing machine.

Since as a rule the union day wage is nominally only a minimum, it would appear that the employer could offer to the speedier men a wage higher than the minimum, and thus gradually raise the level of speed, should he see fit. This indeed does occur in various trades, but its full and free operation as a means of inducing speed is checked by two or three conditions generally insisted on by the unions. In the first place, the payment in excess of the minimum must not be computed in proportion to output, since this would establish a bonus system and a dead line, both of which are practically a return to piecework. In the second place the minimum is usually placed so high that, in the estimation of the employer, he cannot afford to pay more than the minimum. As a matter of fact it has been found that where the minimum scale is in vogue the wages range very close to the minimum, but in non-union establishments there is a much wider range between the lowest and highest extremes (boots and shoes). Furthermore, where a union has succeeded in establishing the day system, the employer is usually cautious in basing his discrimination between employees on the item of speed, and consequently, bases it on quality instead. In the case of several industries the key to the enforcement of restrictions on output is found in restrictions on the employer's freedom in employing and discharging men. Where the employer is perfectly free, as he usually is in a nonunion establishment, to "take on" or "let go" his men without notice, he is able to select the speediest men, giving them the steadier jobs and leaving the irregular and seasonal work to the slower man. In this way the competition of the men among themselves forces up the speed of all. Where a union interferes with this freedom it tends to give to the men a feeling of security in holding their jobs regardless of efficiency. That restrictions on hiring and discharging workmen are the ultimate source of restrictions on output is made plain from the repeated testimony in nearly all trades that in times of prosperity, when there is a strong demand for labor, the average output of the workman falls below that of periods when the supply of labor exceeds the demand.

[1] Adapted from *Eleventh Special Report, United States Commissioner of Labor* (1904), pp. 17–29.

Men will not work as hard when they can get work in other establishments as when they feel that their chances for other employment are slim.

c) SOME PARTICULARLY FLAGRANT ILLUSTRATIONS OF RESTRICTIONS UPON OUTPUT[1]

The so-called Lockwood Committee was created in 1919 by the New York Legislature to investigate the housing shortage. They uncovered shocking practices which were being used both by employers and by union officials. Thus some officials, notably Robert Brindell, were using their power to call strikes as a means of levying blackmail upon contractors; Brindell's extortions were estimated at over $1,000,000 in less than a year. Large groups of employers, on the other hand, were combined in associations to keep up the price of building materials and of construction. These employers, moreover, had an agreement with most of the unions that labor would not be furnished to any contractors outside of the association. The unions were therefore being used to prevent the competition of independents.

Some of the examples of restriction of output practiced by the unions and reported by the committee were:[2]

The requirement of the metal lathers that where reinforced concrete is mixed at the shop, where it can be more economically done, and brought to the building, the owner must pay a bonus into the sick benefit fund of the Lathers' Union at the prescribed rate based on the labor cost thus claimed and estimated as saved, of $6 per ton on cut steel and $18 per ton on fabricated steel.

Compelling an employer to finish his ceiling by using wire lath instead of as provided by the specifications although these specifications were duly approved by the public authorities.

The various prohibitions contained in the Constitution of the Plasterers' Union against the use of casts over a prescribed size being manufactured in the shops and the requirement that this work must be run on the walls and ceilings at an expense greatly in excess of the cost of bringing them to the job from the shop.

The requirement that models made for plastering, including stock models, must be destroyed after being once used so as to supply more work for the modelers than if the model were used over and over again as would otherwise be done, thus compelling unpardonable economic waste.

[1] Prepared.

[2] See the "Intermediate Report of the Joint-Legislative Committee on Housing," *State of New York Legislative Document*, No. 60 (1922), pp. 56–58.

Preventing the mixture of plaster-of-paris with Keene cement in the making of mantels, the effect of one of which prohibitions was to prevent the owner from installing the mantels already made and to compel him to recast them. The purpose of the prohibition was said to be to prohibit the owner from adopting this method of making the mantels for the reason that in this way he could manufacture four mantels at cost of one mantel made the other way and thus effect a saving in labor which the union compelled him to forego. The Plumbers' Union also refused to handle certain appliances made in the shop such as the anti-siphon trap and plumbing and gas fixtures that come to the building with the furnishings attached and forced the plumbers to be permitted to attach these furnishings on the job.

A somewhat extreme case occurred in the construction of the Ambassador Hotel, when the Plasterers' Union compelled the owner to tear down part of a wall because the plasterers' agent did not like the color or style of the imitation of Travatine marble.

It was also found that the unions in general fined and disciplined members for the offense of "rushing" or "driving."

The investigation of the Chicago building trades by an Illinois legislative committee disclosed substantially similar conditions.

d) THE EFFECT OF RESTRICTION OF OUTPUT—LABOR'S SHARE OF INDUSTRIAL WASTE IN 1921, AS SCIENTIFICALLY ESTIMATED FOR SIX REPRESENTATIVE INDUSTRIES[1]

This table gives percentage values for each of the agencies against which responsibility for waste is assessed, as follows:

TABLE XCI

Industry Studied	Responsibility Assayed against Management (Per cent)	Responsibility Assayed against Labor (Per cent)	Responsibility Assayed against Outside Contacts (the Public, Trade Relationships, and Other Factors) (Per cent)
Men's Clothing Manufacturing	75	16	9
Building Industry	65	21	14
Printing	63	28	9
Boot and Shoe Manufacturing	73	11	16
Metal Trades	81	9	10
Textile Manufacturing	50	10	40

[1] Taken with permission from *Waste in Industry*, p. 9. (Federated American Engineering Societies, Washington, D.C., 1921.)

The quantities presented above justify the following statement: over 50 per cent of the responsibility for these wastes can be placed at the door of management and less than 25 per cent at the door of labor, while the amount chargeable to outside contacts is least of all.

7. TRADE UNION INSURANCE[1]

The American trade unions have developed beneficiary functions far more slowly than the trade unions of England and Germany.

The history of trade-union beneficiary activities in the United States may be roughly divided into three periods. In the first, extending from the beginning of the century to about 1830, the local associations laid great stress on their beneficiary functions.

American trade unionism owed its origin as much to the desire to associate for mutual insurance as to the desire to establish trade rules. The second period, from 1830 to 1880, was marked by the subordination of beneficiary to trade purposes.

The development of beneficiary functions by the leading national unions began about 1880. It was argued with much force that the benefits were a direct aid in the accomplishment of trade purposes. In the first place, successful systems of benefits, whether they attract members or not, undoubtedly assist in retaining them.

A second effect of the introduction of benefits is the strengthening of the national treasury. A union without beneficiary functions usually has small reserve funds or none at all. The effect of the introduction of beneficiary features is, in the first place, to increase the funds which may in an emergency be used for strike benefits, and more important, perhaps, the members, accustomed to paying a considerable sum weekly or monthly for benefits, are less reluctant to vote assessments adequate for carrying on vigorously the trade policies of the union.

The development of beneficiary systems has, however, not been guided chiefly by the consideration as to what benefits would most aid the trade unions in enforcing their trade policies. The unions have chosen rather to develop those benefits for which there was the greatest demand.

In 1907 of sixty-seven national unions paying benefits of all kinds, sixty-three paid death benefits, twenty-four paid sick benefits, eight

[1] Taken with permission from J. B. Kennedy, *Beneficiary Features of American Trade Unions*, "Johns Hopkins University Studies in Historical and Political Science," Vol. XXVI (1908), 9, 11, 16, 17, 18.

paid travelling benefits and only six paid out-of-work benefits. The International Typographical Union has also developed a system of old age pensions. The benefit which is most effective as an aid to the enforcement of collective bargaining is out-of-work relief. This it will be noted has been adopted by very few unions. On the contrary, the death or funeral benefit of small amount is by far the predominant form of national trade-union benefit. Probably no other benefit offers as little support to the militant side of trade unionism. The reasons for the greater development of this benefit are, first, the great need among many trade unionists for benefits of this kind. Secondly, the administration of a small funeral benefit presents few difficulties as compared with the sick or out-of-work benefit.

In general, the more highly developed the beneficiary functions of the national unions become, the less freedom the local unions are given in carrying on such functions. The local unions still play, however, a large rôle in the payment of benefits and it is probable that the sum which they disburse for such purposes does not fall far short of the amount expended by the national unions.

8. COLLECTIVE BARGAINING IN ACTION—TRADE AGREEMENTS

a) A THIRTY-YEAR EXPERIENCE WITH A NATIONAL AGREEMENT—THE STOVE INDUSTRY[1]

The first written agreement between employers and employees in the iron foundry trade of which any record is found was made in Cincinnati in 1874. It was drawn up by the founders and offered to the officers of the local iron molders' union, who accepted and signed it in behalf of the union. It was regarded by the founders generally as an unwise innovation; for any changes in the market might leave the employers thus obligated at a disadvantage with respect to their competitors.

As stated above, the founders were organized locally in some places, but no permanent general association existed until the formation of the National Stove Manufacturers' Association in 1872. It was

[1] Adapted from (1) F. W. Hilbert, "Trade-Union Agreements in the Iron Molders' Union," in Hollander and Barnett, *Studies in American Trade Unionism*, pp. 225–60. (Henry Holt & Co., 1905.) (2) J. P. Frey, "A Thirty-Year Experience in Industrial Democracy," *International Labor Review*, V, No. 4, 540–52. The earlier part of the article is adapted from Mr. Hilbert's essay; the latter part from that of Mr. Frey.

organized primarily for the purposes of regulating prices, introducing new methods, and diffusing information relating to the trade. For ten years it took no action in regard to labor questions except to denounce the Iron Molders' Union and its methods.

Conditions during the next few years appeared to the manufacturers to become worse, as the Iron Molders' Union increased in numbers, and dictated conditions of employment more and more irritating to a larger number of founders. Finally, in the fall of 1885, a few of the most determined members of the Stove Manufacturers' Association resolved to take a definite stand in opposition to the Iron Molders Union. Inviting fellow manufacturers to join them, they organized the Stove Founders' National Defense Association in order, as set forth in a secret circular, "to rid themselves of the tyranny of the Iron Molders' Union, and to run their several works unhampered by its restrictive influences."

The two organizations did not come immediately into conflict until 1887, when the molders of Bridge, Beach & Co., St. Louis, made a demand for 15 per cent increase in prices, and being refused, went on strike. According to their prearranged plan, the Defense Association sent the patterns of the firm to other members of the Association, and as in every case the molders refused to work on them, the strike spread until five thousand molders in fifteen cities were involved. The result was in the nature of a drawn fight.

Commenting upon the St. Louis struggle, the president of the Iron Molders wrote in the *Journal* for June, 1887 (p. 6): "A decided impression has been made on both parties, of the stability of each opposing organization. But, gentlemen, let us see if we can't act in a more commendable manner in settling our difficulties, and not resort to the destructive methods which are so injurious to both parties." The president of the Defense Association took a similar view of the matter, and recommended that the Defense Association appoint a committee to meet a similar committee from the Molders. But a number of conservative members in the Defense Association opposed the recognition of the Iron Molders' Union in any way, and their influence prevented any closer relations at the time.

President Fox of the Molders' Union addressed a proposal to the Defense Association on December 1, 1890, for a general agreement between the two organizations. The proposal was accepted, and committees from these bodies met in joint conference in Chicago on March 25, 1891.

The problem that met the conferees at the outset was to find some equitable mode for the settlement of differences. Neither side especially favored arbitration by means of a committee composed of an odd number of members. Many disputes had been arbitrated since the organization of the Iron Molders' Union but in very few cases did arbitration give satisfaction; and that method, it was argued, was not likely to succeed on a general plan, for the following reasons: (1) Neither party was inclined to concede anything in a conference, as each would expect to win through the odd man, who would generally be disinterested, but without intimate knowledge of the business; (2) it would be difficult to secure the services of a man acceptable to both parties, because few such men would be willing to serve, even when agreed upon; (3) issues would multiply, and extremely unjust, and even ridiculous demands would be made, because of a chance to gain through the odd man, while no possible loss could be suffered.

The method of arbitration, as commonly understood, being eliminated, it was agreed to try the method of conciliation within the trade. Accordingly it was deemed wise to begin with a simple statement of general principles, and to provide for their practical application to actual trade problems. It was recognized that at that time no general wage rate or piece prices could be adopted, and that no agreements on matters affecting shop management and shop practices could be framed. It was left to time and the educational effect of annual contact and conference, to effect a common understanding on these subjects. The text of the first agreement was as follows:

Clause 1. Resolved, That this meeting adopt the principle of arbitration in the settlement of any dispute between the members of the I.M.U. of N.A. and the members of the S.F.N.D.A.

Clause 2. That a conference committee be formed consisting of six members, three of whom shall be stove molders appointed by the Iron Molders' Union of North America, and three persons appointed by the S.F.N.D.A., all to hold office from May 1 to April 30 of each year.

Clause 3. Whenever there is a dispute between a member of the S.F.N.D.A. and the molders in his employ (when a majority of the latter are members of the I.M.U.) and it cannot be settled amicably between them, it shall be referred to the presidents of the two associations before named, who shall themselves, or by delegates, give it due consideration. If they cannot decide it satisfactorily to themselves they may, by mutual agreement, summon the conference committee, to whom the dispute shall be referred, and whose decision by a majority vote shall be final, and binding upon each party for the term of twelve months.

Pending adjudication by the presidents and conference committee, neither party to dispute shall discontinue operations, but shall proceed with business in the ordinary manner. In case of a vacancy in the committee of conference, it shall be filled by the association originally nominating. No vote shall be taken except by a full committee, or by an even number of each party.

The conference committee provided by Clause 2 of the above agreement has met every year since 1891. Minor disputes have invariably been settled by the officers of the two organizations, and only questions of vital importance, such as those concerning wages and shop regulations, have been referred to the committee. Even where no agreement is reached, the views of both parties are likely to be considerably modified by the discussion. This general agreement has virtually removed the need for local agreements between the Iron Molders and the members of the Defense Association.

The several agreements deal in detail with the questions of (*a*) wages, (*b*) length of the labor day, (*c*) open shop, (*d*) apprenticeship, (*e*) molding machines.

a) Since 1892 annual wage agreements have been entered into. Piece rates were fixed at the second conference and are known as "board" prices. From the time of the first agreement until 1899 there were no advances in wages but since then there have been a number of advances and two reductions. Individual piece-rate prices have also been changed and adjusted.

b) *Hours.*—The 1908 agreement established a seven-hour day for actual molding; in 1910 a compromise was made on six and a half hours, making the actual working day in the foundry from eight to eight and one-half as a considerable amount of work has to be done after the actual pouring of the molds is completed. In 1918, an agreement established the eight-hour working day with payment for overtime at the rate of time and a half.

c) *Open shop.*—The agreements of the Iron Molders are peculiar, in that although few of them provide for the exclusive employment of union men, yet there are many shops where only union men work. The explanation lies in the fact that the union has so thoroughly organized the trade that nearly all the best molders are in the union, and whenever a founder increases his force, it must be with union men. The union has unionized the open shops, rather by inducing the molders to enter the union, than by bringing pressure to bear upon the employer to discharge non-union men, or to force them to join the union.

d) When the two associations met in their first conference, the question of the ratio of apprentices was considered. At that time the union's ratio was one apprentice to the shop and one for every eight molders employed. The foundry owners claimed that this did not supply a sufficient number of molders to maintain the industry. As time passed, the data collected by the foundry owners made it clear that their claim was a just one and eventually the officers of the molders' union were convinced that the change was necessary. As it was necessary to amend the constitution of the union, the officers submitted the question to the referendum vote of the membership. Despite the earnest efforts of the officers such a proposal was twice defeated. Finally in 1904, they succeeded in getting the ratio reduced to a one to five basis. In this manner one of the first grave questions was settled on its merits through the application of educational methods instead of force.

e) Some years later, another question of serious importance arose. The molding machine had been introduced into the foundries to take the place to some extent of hand labor, and it was intimated that the use of the machines would eliminate the union from the foundries. The owners instead of placing apprentice boys on the machines, employed full-grown adults, while the molders as a matter of self-protection classified these as apprentices.

Unsuccessful efforts were made to reach an understanding and finally both associations agreed that regardless of what the machine was capable of doing, its operation should not result in reducing the molder's total earning. The foundry owner should enjoy whatever advantage came through the increased output but the molder should suffer no reduction in his total earnings.

In the early days of the agreement with the Defense Association, the officers of the International Union had some difficulty in breaking the local unions' inveterate habit of walking out of the shop after submitting a grievance to their employer, instead of continuing at work in accordance with the agreement. But the men invariably obeyed when ordered back, although upon several occasions the national officers added the threat to fill their places with other molders, if they did not return. Similarly, in several instances, the stove manufacturers locked the molders out, instead of following the provisions of the agreement in the case of grievances; but on each occasion, the Defense Association refused to sustain the offending member, and the men were taken back without discrimination.

With this qualification, the agreement has not been violated during the thirty years of its life, either by the union or by the Defense Association, although in the year 1903 alone, some two hundred and fifty disputes were adjusted under the provisions of the agreement.

In attempting to deal fairly with the Defense Association in the adjustment of disputes, the Iron Molders have established respect and confidence. In 1885, one of the largest stove manufacturers in the country said that if the trade union organization could be dissolved entirely "it would be beneficial to our employers' associations, the public and the workmen themselves." Nineteen years later, the same manufacturer stated, "I have been shown the error of my ways and I am prepared to say now that it is the wise employer who encourages rather than discourages unionism. In order to make agreements effective, you must recognize the union."

b) EXPERIENCE WITH TRADE AGREEMENTS—CLOTHING INDUSTRY[1]

Adjustment of disputes.—One of the principal factors in the reduction of shop strikes has been the substitution, under agreements, of more orderly means of giving expression to grievances. The machinery for adjusting controversies has been one of the most successful developments under the clothing agreements.

The immediate injection into all disputes of expert adjusters—one representing the employer or his association, the other representing the union—has been of great value in meeting these difficulties in their earliest stages. These adjusters, it should be noted, combine the functions of mediators and arbitrators. Furthermore, the system of referring disputes not adjusted in the above manner to outside impartial arbitrators, or to trade boards presided over by such arbitrators has, in general, proved satisfactory. Such at least has been the case when the matters adjudicated have been individual grievances, or issues involving merely the application or interpretation of the existing agreement.

Where, however, outside arbitrators have been empowered to deal with all matters, whether covered by the agreement, or not, and to pass upon the modification of the agreement itself in a quasi-legislative capacity, less satisfactory results have been attained. The tendency under recent agreements has been to leave such matters to be settled between employers and the union directly.

[1] Adapted from *Research Report Number 38* by the National Industrial Conference Board, New York, June, 1921.

The impartial chairman, no matter how great the authority committed to him by the parties may be, is in practice a mediator and not a judge. The process of settling a disputed issue is one of constant communication with both sides, not solely by hearings as in a court of law, but personally and privately and always with a complete absence of formality. The ultimate decision represents an accepted solution rather than a judicial decree. Under the circumstances it is not surprising that the personality of the impartial chairman, no less than his knowledge of the industry with which he is concerned, plays a large part in the success of the machinery.

Effect on production.—Output under agreements in the clothing industries has been adversely affected by three principal factors—reduction of the work week, substitution of week-work for piece-work and relaxation of discipline, due to limitations placed upon the employer's power to discharge.

Under the agreements of the stronger employers' associations, it has been specified that workers might be discharged for such reasons as inefficiency or insubordination. In practice, it has been difficult to discharge any worker except for the most flagrant dereliction because of the difficulty of proving clear cases of inefficiency or insubordination.

Favorable influences on output.—In certain ways, on the other hand, production has been helped rather than hindered by the existence of agreements. The decrease in the number of shop strikes under agreements has been already noted. This has bettered output through reduction of lost time and avoidance of shop disorganization. Labor turnover in these industries, while not markedly affected by agreements, seems in a number of instances to have been somewhat reduced, with consequent benefit to production. In certain cases favorable effects on output have been noted, due to improved factory morale under agreements.

Wages.—During the period covered by agreements, wages in the clothing industries have been raised from comparatively low to comparatively high levels, and hours diminished. However, such changes must not be regarded as having been caused by the agreements. During the period of war prosperity wage increases were secured by unorganized as well as organized workers in all industries. In the clothing industries these increases were gained by the force which the unions, aided by such economic factors as labor shortage and heavy demand for products, were able to exert.

Agreements have served to place wage terms definitely on record and thus rendered them somewhat more secure against arbitrary change, and reduced the probability of their being made subjects of dispute. It is this stabilization of wages which, because it enables him to predict his labor costs, has been one of the principal advantages the employer hopes to derive from the adoption of a trade union agreement.

Hours.—As already noted, there has been a general reduction of hours in the clothing industries, during the period covered by agreements, from 52 or 54 hours and over, to 44 per week (in a few cases 48). The same considerations apply to these reductions as to wage increases—agreements have not caused, but have merely recorded the changes. Agreements have, however, been modified less frequently in their hour terms than in their wage terms, so that the stabilization of cost factors desired by employers has here been partially realized.

Employee morale.—The installation, under an agreement, of an effective system of grievance adjustment where none had previously existed seems in some instances to have produced a better attitude among employees toward their work, though it has required considerable readjustment by the employer in respect of shop discipline. On the other hand, where a high degree of "house loyalty" has already been built up, such a loyalty may be weakened upon the conclusion of an agreement under which the employee looks not to the employer but to the union for the determination of his wages, hours and working conditions, and to the outside "impartial chairman" for the final adjustment of his grievances.

Security of employment.—As already noted, the unions have not only succeeded in protecting their members against arbitrary discharge, but, in many instances have rendered their discharge for due cause extremely difficult. In most of the clothing industries, unless the employee is guilty of peculiarly flagrant misconduct or voluntarily leaves his job, his tenure in it is practically permanent, it being understood that when he is laid off in the slack season he is to be given his share of such work as becomes available during that season and is to be employed again in the next busy season before any new worker may be hired.

Preparation for control of industry.—Certain of the labor unions in the clothing industries, in pursuance of general socialistic policies declare that their ultimate aim is the control by the workers of the industries in which they operate.

Under agreements union officials have enhanced opportunities for becoming familiar with the problems of management. It is, however, a speculative possibility that such contact may serve to discourage this aim by correcting erroneous notions entertained by some union workers regarding the managerial side of industry. This is borne out by the frequent testimony of employers to the effect that union leaders become easier to deal with as they acquire increasing experience.

9. THE ULTIMATE AIMS OF TRADE UNIONISM. A RADICAL VIEW[1]

It is an indisputable fact that the trade unions always act upon the policy of taking all they can get from their exploiters. Let me quote from a booklet, written by myself several years ago: "It is idle to say that the trade unions will rest content with anything short of actual emancipation. For they are as insatiable as the veriest so-called revolutionary unions. In the measure that their strength increases, so do their demands. They have sent wages up: 2, 3, 4, 5, 6, 7, 8 dollars per day, and hours down: 12, 11, 10, 9, 8, 7, 6, per day with all kinds of other concessions sandwiched in between. And now they are more radical in their demands than ever before in their history. Permanently satisfied trade unions under capitalism would be the eighth wonder of the world, outrivalling in interest the famous hanging gardens of Babylon. They would be impossible. With its growing power, Organized Labor will go on winning greater and greater concessions, regardless of how profound they may be. It is purest assumption to state that the trade unions would balk at ending the wages system."

Why, then, have these strongly anti-capitalistic qualities been so long and generally ignored and the trade unions considered merely as palliative bodies? In my opinion it is because they, like various other aggressive social movements, have more or less instinctively surrounded themselves with a sort of camouflage or protective coloring, designed to disguise the movement and thus to pacify and disarm the opposition. This is the function of such expressions as, "A fair day's pay for a fair day's work," "The interests of Capital and Labor are identical," etc. In actual practice little or no attention is paid to them. They are for foreign consumption. The fact that those who utter them may actually believe what they say does not change the situation a particle. Most movements are blind to their own

[1] Taken with permission from William Z. Foster, *The Great Steel Strike*, pp. 257–60. (B. W. Huebsch, 1920.)

goals anyway. The important thing is the real trend of the movement, which is on the one hand a constantly expanding organization, and on the other one of constantly increasing demands. The trade unions will not *become* anti-capitalistic through the conversion of their members to a certain point of view or by the adoption of certain preambles; they *are* that by their very makeup and methods. The most that can be done is to clarify their aims and intensify their efforts towards freedom. If the trade unions instinctively throw dust in the eyes of their enemies, they do it for an altogether worthy purpose, the elevation of the standard of well-being for the mass of the people. In the case of the capitalist class we see the same principle applied to an utterly vicious end.

The question may be pertinently asked, why if camouflage is such a potent weapon in social as well as military welfare, should the true nature and tendency of the trade unions be pointed out, thus stripping the movement of its philosophic protection and leaving it bare before its enemies? The answer is that the camouflage works both ways; it deceives friends as well as enemies. It has thus to a great extent cost the unions the support of the whole left wing of the labor movement. Its advantages are outweighed by its disadvantages.

PROBLEMS

1. What is the union label and what is its purpose? In which branch of industry would you expect it to be more valuable and why: the manufacture of overalls or evening clothes; breakfast cereals or pipe tobacco; phonographs or boots?
2. Should the union label be discussed under the organization of the workers in the field of production or under the organization in the field of consumption? Why?
3. What is the boycott? How did the name originate? Was the Boston Tea Party an instance of boycotting? Why or why not?
4. What is the distinction between a primary boycott, a secondary boycott, and a compound boycott? What is the general attitude of the courts toward each of these practices and why?
5. What should the law of the boycott be and why? Work out in detail.
6. What is a blacklist? How does it differ from a boycott? By what methods can it be administered?
7. What is an injunction and what purposes does it serve? Distinguish between a temporary and permanent injunction. Why grant injunctions anyway? Why not let the injured party sue for damages later?
8. Can an injunction be issued to prevent an act which is later adjudged legal?

9. What right of representation has the party enjoined at the granting of a temporary injunction; at the hearing on the permanent injunction? Comment upon this.
10. If an injunction is disobeyed, what penalty, by whom, and under what conditions, is it inflicted?
11. What modifications has it been claimed that the Clayton Act made as regards the law of boycotts and of injunctions? Was it the intent of Congress to make these changes? Justify your position.
12. Did the Clayton Act apply to cases originating before state courts; before federal courts?
13. To what extent has the Clayton Act actually changed the law of injunctions and boycotts in practice? Mr. Gompers has referred to the Clayton Act as "Labor's Magna Charta"; others have referred to it as "Labor's Gold Brick." Which is more nearly correct?
14. In the railway shopmen's strike of 1922, Attorney-General Dougherty for the federal government secured an injunction forbidding the leaders of the strikers among other things to communicate plans by telephone, through the mails, and by word of mouth? Was this a justifiable use of the injunction.
15. "The purpose of the injunction is to preserve the *status quo*. If it is not made permanent, matters can always be resumed where they were before, with no damage done. If damage is done, suit can be instituted to recover." To what extent do injunctions preserve the *status quo* in labor disputes? What are the chances of securing damages if an injunction is later dismissed and why?
16. Labor disputes in the United States are waged with a violence that is unknown in England or on the continent. Can you give any explanation as to why this should be so?
17. "The militia are supposed to be ordered out to keep the peace at the time of a strike. What they really do is to break the strike." How may this occur?
18. Comment on the swearing in of company guards as deputy sheriffs. To what abuses does it open the way?
19. Why do employers use spies among the workers? Do the workers ever have spies among the employers? What consequences follow from their use?
20. Describe and explain the attitude of the typical unionist in the building trades toward violence.
21. Describe and explain the policy of the Typographical Union toward admittance to the trade? What have been the consequences of it?
22. The cotton-print designers' union allows the trade to be taught only to sons of members. Explain the reasons for their action. Most plumbers' locals require a period of apprenticeship of five years and permit the employer with one workman to have one apprentice and if five workmen, two apprentices. Why do the unions impose these requirements? Do you consider them excessive? Why? Would you expect the conditions of entrance into the trade to be more strict among the coal-miners or the photo-engravers? Why?

23. Is it justifiable for the unions to impose any restrictions upon the entrance to a trade? If not, why not? If so, why, and are there any limits, and what are they, to the restrictions which they should impose?
24. "It has been the union restrictions which have caused the decline of apprenticeship and which have prevented the American boy from learning a trade." Comment.
25. The Sherman Act of 1890 declared combinations in restraint of trade to be illegal, thus placing on the statutes the opinion of the common law. Are unions combinations in restraint of trade? If so, in what way? If not, why not?
26. Why do plumbers' unions prohibit their members from using bicycles? Why do certain painters' unions prohibit the using of wide brushes?
27. "Restriction of output has been introduced by unionism and with the crushing of the unions it would disappear." Do you agree?
28. "The chap who works hard to please his employer is a traitor to his class, for he is working some other fellow out of a job. The more he does, the less there is for the rest of us to do." Why is this view advanced? Is it correct? Explain fully.
29. "It is an erroneous doctrine that makes the workmen restrict output. If they would work harder, costs would go down, prices would follow, people would purchase more goods, and the workers would still be employed and would be able to buy more things." To what extent is this true? Why have not such arguments as these shown the workmen why they should not restrict output.
30. What is a jurisdictional dispute? Why do the unions engage in them? How are they decided? How might they be lessened?
31. Why have the unions developed mutual insurance? What kinds of benefits do they chiefly pay and why? What effect has it had upon their strength and upon their policies?
32. Describe the circumstances under which the collective agreement with the molders was made. Compare its methods of preventing strikes and insuring continuity of production with those followed in the men's clothing industry? Which do you prefer and why? In the molder's experience, would you say the workmen had tried to consider the employer's point of view? Justify your position.
33. Why do unions generally try to limit the power of an employer to discharge labor? The International Typographical Union provides that men must be laid off according to their length of service. Why was this rule passed and what have been its consequences? Compare with the system followed during slack times in the men's clothing industry.

34. "You cannot expect workmen to continue working on the old scale, even though the agreement has several years to run, if the cost of living keeps moving upward." Comment. What will be the probable attitude of labor when the cost of living goes down?

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CHAPTER XXII

CONSUMERS CO-OPERATION

1. THE EARLY HISTORY OF CONSUMERS CO-OPERATION AND ITS FUNDAMENTAL PRINCIPLES[1]

The modern co-operative movement virtually dates from 1843. In that year, in Rochdale, a manufacturing town of northern England, a group of twenty-eight flannel weavers, who had just gone through an unsuccessful strike, met to discuss what they should do. They decided to start a co-operative store which would free the workmen from the high prices charged by company stores under the credit system. Ultimately, they hoped to abolish the wage system and to establish "a self-supporting home colony." The members painfully saved twopence a week until each had accumulated a pound, and with this scanty capital, amounting in all to only $140, they started a store, open only two evenings a week and tended by the members themselves. The first week's sales amounted to only $10. Few expected the store to survive while often the members themselves lost heart. Nearly eighty years have elapsed since then, and from this apparently insignificant venture has sprung a mighty movement with over four and a half million members in Great Britain alone, belonging to some 1,400 societies, whose sales to members in 1920 amounted to one and a quarter billions of dollars. These societies in turn owned two gigantic wholesales, the English and the Scottish, whose net sales amounted to approximately six hundred and fifty million dollars. The amount of capital invested in the retail and wholesale societies, practically all of which is owned by the working class, amounted to nearly six hundred million dollars.

What are the principles which have caused this extraordinary growth? They were those originally embodied in the plan of the Rochdale pioneers and which have ever since served as the model for successful co-operation.

1. To charge the market price for goods and to sell for cash and not for credit.

[1] By Paul H. Douglas.

2. To pay the holders of stock, the shares of which are low and the amount of which can be held by any one member is limited, approximately the current rate of interest but only that.

3. To divide the net profits for each quarter, after a small deduction for educational purposes, among the members in proportion to the amount of purchases made and not according to the amount of stock held.

4. To secure democratic control by giving each member only one vote irrespective of the amount of stock held.

The last three of these principles are in direct opposition to those which characterize most of our modern business. Under consumers' co-operation, capital is made the servant of industry, being paid the current wage but allowed to share in the residual gains of the enterprise and no control over the policies and direction of the venture. Business becomes an enterprise to benefit those who purchase the commodities and to meet mutual needs. In the language of the French economist Gide, it aims at "transforming that co-operation which already exists in human society into conscious organized co-operation." The average rate of dividends thus returned to the consumer has ranged in recent years in Great Britain from 9 to 13 per cent.

The difference between consumers' co-operation and other varieties of co-operation may be briefly sketched. Producers' co-operation carries with it the ownership and direction of a plant or industry by those who are directly engaged in working in it, and it is to this group and not to the consumers of the product that the profits go. Seventy years ago it was producers' co-operation and not consumers' that was expected to develop, but, in the main, the former movement has been a failure. Co-operative marketing consists generally in the grouping together of individual producers to sell their privately owned products more effectively. It generally does not carry with it any common ownership of the means of production nor any common control over production itself.

2. METHODS OF THE STORE AND THE FEDERATION[1]

It is doubtful whether the Rochdale Co-operators could have succeeded if Charles Howarth had failed to introduce the system of dividing profits on purchase which resulted in the government of the store by the customers; i.e., by the community at large. This

[1] Taken with permission from Beatrice Potter (Mrs. Sidney Webb), *The Co-operative Movement in Great Britain*, pp. 62–108. (Longmans, Green & Co., London, 1891.)

system has many direct and indirect advantages; but it has had one peculiar and possibly unforeseen result: it established the co-operative movement on the firm foundation of pure democracy.

Why were not the goods sold at cost price, plus the expenses of management? This method of fixing prices is impossible in the conduct of retail trade. Retailing necessitates the division of goods bought in the bulk, at wholesale prices, into small quantities. The sale of these small quantities at cost price involves the use of fractions not represented in current coin.

Any attempt to fix prices so that the quarterly stocktaking shall show neither profit nor loss is manifestly impracticable. The Rochdale Pioneers, partly in order to accumulate capital, partly to avoid the enmity of the shopkeepers, accepted the current price of the town as a fair standard, insisting only on the genuine quality of the goods sold. A surplus between selling prices and cost of production was therefore unavoidable, the question remained how to distribute it.

Now, the "profits" of a business may be paid to three different persons: (1) to the owner of capital; (2) to the workers (whether brain workers or manual workers); and (3) lastly, to the customers; i.e., to the community at large. Thus the Rochdale Pioneers had three distinct courses before them. First, they might have paid all surplus profits as dividend on the original £28, a method which has been since pursued by the middle-class supply associations. Secondly, they might have divided their profits in proportion to the labour expended by each member in the service of the store: a method which would have been, in these early days of the Toad Street Store, absolutely equitable, as all members were required, if necessary, to act in rotation as shopmen, buyers, and in other official capacities. Thirdly, they might adopt the new idea of dividing profits according to the purchases of each member.

Under the first system the prices would be ultimately arranged to bring in the utmost profit to the shareholder. It would become a question of expediency with a body of shareholders, as it is with the individual trader, whether to lower prices in order to extend trade or to raise prices in order to increase net profits on articles sold.

Under the second system, a strictly limited number of individuals would be making profit by supplying the needs and controlling the expenditure of the general body of consumers, checked only by the competition of other traders. There remained, therefore, the third way of disposing of the profits of the Toad Street Store—dividing

them as a percentage on the purchases. This was in fact an indirect method of realizing the Owenite ideal, and eliminating profit on price; for the surplus over cost price, given by the purchaser, was returned to him in the form of bonus.

The origin of this expedient, apparently simple, but pregnant with a complete system of democratic industry, is enveloped in obscurity. Without doubt it was the Socialist Charles Howarth who suggested it to the Rochdale Pioneers.

This peculiar method of dividing profits in proportion to purchases secured the rights of membership to all customers. Under the Rochdale system any man or woman may become a member by the payment of 1*s*. entrance fee. Though the existing members of a society have a legal right to exclude new comers, there is no possible inducement under this system to limit the number of members. Quite the contrary; under good management, each new member, by increasing the trade of the society, adds to the percentage of profit on the whole turnover. With the relative decline of fixed charges peculiar to a growing trade, with the economy in labour, with the more advantageous terms open to large buyers in the wholesale market, the percentage of profit on each pound's worth of goods steadily increases as the association grows in numbers. Thus in all well-managed stores we witness a fervent desire on the part of officials and committeemen to include every inhabitant of the district within the charmed circle of profit-sharing and self-governing members. No man is too great, no man is too low, no man too rich, no man too poor—always supposing that he will buy and pay cash—to be included in this all-embracing democracy. Here we have no fixed or limited number of individuals (capitalists or workers) assuming the government and absorbing the profits, but an ever-growing body of voters. This then is the grand achievement of *dividend on purchase:* it has provided a unique democratic foundation to an industrial organization. A share in a working-man's Co-operative Store can never rise above par. The increased value of the concern, whether due to the growth of the surrounding population, to the exceptional energy and integrity of members and officials, or to the heightened power of federated trading and federal production—this unearned or unowned increment (in so far as present members are concerned), is distributed throughout the community to all who care to claim their share by becoming members of the society. The healthy democratic instinct of the Rochdale pioneers discovered itself anew in their regulations with re-

gard to voting. One man, one vote, and no proxies is a sound doctrine of suffrage. Members who are indifferent to, or careless of the welfare of the society, are disfranchised by non-attendance. Persons, and not property, form the constitutional basis of the Rochdale system.

Federation.—In the co-operative movement it was the democratic constitution of the store which alone secured to the federal principle a fair start. A society governed by a close body of workers or shareholders would be more than human if they instructed their competitors in the art of buying and selling. But with the government of the store by the customers each society is as willing to teach as it is anxious to learn. Emulation among the officials of different stores replaces the equally natural desire of profit-makers to keep all special information for their own use.

The first conference of the representatives of these miniature democracies was convened by the Pioneers in the early part of 1850. Gradually with the rise of stores in other districts, the habit of discussion, with the desire for joint action, spread. The plans discussed may be classed under four headings: (1) Federal institutions for wholesale buying and manufacturing. (2) The technique of shop-keeping. (3) Propaganda in unconverted districts. Out of these discussions arose, in the first instance, the various minor federations, and in the second place the English Wholesale Society. In 1868 Scotch Co-operators followed suit with the Scottish Wholesale Society. To-day these two sister institutions include as members the vast majority of distributive stores within the United Kingdom. The propagandist and political work of the Conference Committees culminated in the institution in 1869 of the Co-operative Union.

Thus the work of the district conferences branched off into two different channels: the development of co-operative trade and manufacture in the two great wholesale societies on the one hand, and the political and propagandist action of Co-operators embodied in the Co-operative union on the other.

In both the English and the Scottish Wholesale, the central institute is owned and governed by shareholding societies and profits are distributed among the member societies according to the purchase made. Both societies are prohibited from selling in the open market. In trading with non-members, the wholesale societies would be extracting profit from fellow-countrymen who have no share in the government of the concern, and might be transformed into a close body of shareholders.

3. THE PLACE OF THE WHOLESALE[1]

The local co-operative societies soon felt the need of a central agency which would remove the adverse discrimination practiced against them by the private wholesalers and give to them the advantages of large-scale purchasing with an attendant elimination of private profit. What is now the English Co-operative Wholesale Society was accordingly formed in 1863 and five years later the Scottish wholesale. In the early days, there was a great deal of jealousy of the wholesales upon the part of the managers of the local co-operative stores who felt that their powers were being limited and this caused many societies to be slow in affiliating with the Wholesale. While this feeling has not wholly abated even now, practically all the societies are at present members.

The structures of the wholesales are similar to those of the retail stores. Membership is open only to co-operative societies who purchase stock according to their membership and who receive "dividends" in proportion to their purchases. Each society has one vote, and additional votes according to the amount purchased.

The wholesales furnish the local stores with approximately five-eighths of all that the latter sell; the net sales of the C.W.S. amounting, in 1920, to $625,000,000. The wholesales also manufacture goods in addition to purchasing them from others, producing in 1920, over $165,000,000 of the goods they sold and employing some 36,000 workers in their manufacturing processes. The Co-operative Wholesale Society owns large flourmills, and soap, jam, biscuit, clothing, and shoe factories. It owns tea plantations in India and Ceylon amounting to some 40,000 acres, wheat fields in Canada, oil properties in Africa, a tallow factory in Australia and six estates in England where it raises strawberries and tomatoes. It carries on an extensive banking business for trade unions, co-operative societies and recommended individuals—the total deposits and withdrawals amounting to approximately three and a quarter billion of dollars in 1920. The banking profits are divided among their customers—whether borrowers or lenders. The wholesale also conducts a large insurance business and, among other features, sells group life insurance to local societies for all their members, and some 2,700,000 co-operators are insured in this fashion. In addition, it furnishes local societies with assistance in selecting the best goods and sends expert auditors and stocktakers to them when the local groups want assistance. It

[1] By Paul H. Douglas.

also reorganizes local groups that fail and tries to put them on their feet again.

All factories and other productive enterprises are managed by the wholesales and not by the immediate workers concerned. The wholesales are in turn managed by full-time boards of directors chosen by the member societies and receiving relatively low salaries. In England their salaries have recently been raised to $4,500 but William Maxwell, long the able president of the Scottish wholesale, received only $1,500.

The advantages which the wholesalers afford to the local societies have been lucidly pointed out by Professor Gide to be the following: (1) They enable the local stores to secure goods cheaply because the wholesale purchases in large quantities. (2) They enable small societies to get started by means of furnishing both goods on demand and expert advice. (3) They obviate, in so far as their goods are concerned, the danger of private producers bribing the local store managers to purchase specific lines of goods. (4) They prevent boycotting by private wholesalers and manufacturers. (5) They alone make consumer ownership of manufacturing possible. (6) They furnish miscellaneous services which could not be provided by the local stores.

4. ECONOMIC ASPECTS OF CONSUMERS CO-OPERATION

a) ADVANTAGES[1]

Can the co-operative store realise any economies of business organization, which are impossible to the non-co-operative establishment? In the department of retail distribution, yes.

The private shopkeeper can only guess at the wants of his customers; he cannot formally assure himself of the continuance of their custom by any honorable method, though he may of course bind them by getting them into his debt. Hence he must allow a margin for the risk of unsold goods or goods sold at a loss, and he must spend very considerable sums in show and advertisement to attract a voluntary custom. The co-operative store on the other hand, if its members are loyal and inform the store of their wants, possesses a knowledge that such and such goods are required and a guarantee that these will be taken. It has less risk of unsold goods, and smaller

[1] Taken with permission from C. R. Fay, *Co-operation at Home and Abroad*, p. 311. (P. S. King & Son, Ltd., 1908.)

expenses of window-dressing and advertisement. The members come because it is *their* store.

Furthermore, the store has an advantage of another kind, which is usually expressed in the phrase "the consumers become their own shopkeepers." The members of the store take over personally certain of the necessary functions of the shopkeeper. The store avoids certain expenses for which the independent shopkeeper must recoup himself in the price of his wares. It does not however dispense with the corresponding duties. But it spreads these duties among its members.

b) SALE AT MARKET PRICE[1]

Sale at market price has the following advantage:

First, for a purely business reason. Even if sale at cost price were aimed at, this would in practice be a trifle higher than the cost of production or the price paid to the wholesale merchant, as the case may be, for the division and cutting up of goods for retail consumption entail a certain amount of waste which it is not easy to estimate in advance. It depends on very irregular circumstances, occasional unskilfulness in carriage and sale, changes in the weather, the discovery of defects not apparent in the wholesale condition, the distaste of customers for a particular piece of a particular commodity, and so forth—so that the estimation of an average charge under this head would be peculiarly liable to error; and if the error were much on the wrong side, it might be necessary to make a call on the purchasers for a further payment, which would certainly cause difficulty and irritation.

Secondly, for a psychological reason. By selling at market price and accumulating the surplus at the end of the year, the store, so to speak "bulks" its advantages. A mere sixpence seems to the working man and indeed to most people a very petty affair; but accumulated to a sovereign at the end of a year, it is a sum worth the having. This mental habit is fairly utilised by the store, when, temporarily postponing the demonstration of its superiority over the private retail, it ranges itself under a price-list fixed by him, and then subsequently by its dividend impresses on its customers in a striking and definite manner the financial benefit which it confers.

In addition, sale at market price avoids friction with the shopkeepers. As Mr. G. J. Holyoake observes of the cost price policy

[1] Adapted with permission from C. R. Fay, *Co-operation at Home and Abroad*, pp. 318–19. (P. S. King & Son, Ltd., 1908.)

of the Leeds Flour Society in its early days: "Under the policy of cheapness, the store enters into competition with the tradesman and is a continual irritation to him: whereas stores which keep to the average price benefit the shopkeeper, who can obtain better prices for his commodities, since no customer can say he 'can get things cheaper at the co-operative store.'"

5. CONSUMERS CO-OPERATION ON THE CONTINENT

a) A STATEMENT BY COUNTRIES[1]

1. *Belgium.*—In every country except Belgium the Rochdale type has been more or less faithfully copied. The characteristic feature of Belgian cooperation, dating from 1880, is that it is mixed up with politics. The socialist party has made the cooperative store not merely a fortress whereby to bombard the capitalist society with potatoes and 4lb. loaves, but a club house for the people for meetings, instruction, recreation, improvement. It has made cooperation a sort of patronage. The workman willingly allows himself to be drawn into a net-work of schemes of insurance, providence and mutual aid, which surrounds him completely from his birth to his death. He is taught how to vote properly and not to drink alcohol. It is in order to keep in daily touch with him and to be able to control his actions more minutely that all Belgian cooperative societies make the selling of bread the basis of their operations. A large part of the profits are used for educational and propaganda work.

2. *France.*—Cooperation in France progressed slowly after the early failure of their producers' societies, and in the nineties was further weakened by a split between the Socialist and the "bourgeois" wing. A partial union was established just before the war.

3. *Germany.*—In Germany the cooperative movement was first started under Schulze Delitzsch about 1850 in the form of cooperative credit, and in this form it has had a wonderful development, more striking even than that of consumers' cooperation in England. There are, in fact, 20,000 cooperative credit societies, both rural and urban.

As cooperative credit is the most conservative of all forms of cooperation it has rallied together the liberal and the bourgeois parties, and even the small traders, who have gained great advantages therefrom. It was a sort of lightning conductor for quite a long time,

[1] Adapted with permission from Charles Gide, *Consumers' Cooperative Societies* (Eng. transl.), pp. 20–26. (T. Fisher Unwin, 1920.)

a preventive against the extreme socialism of Lasalle and Marx. The distributive societies remained in a secondary position, their only function being (in the opinion of the Union) to help the workman to save and be a source of supply for the credit societies. About 1900, however, the distributive societies began to rebel, and in 1902 formed their own independent Union, since when their growth has been enormous.

b) PRESENT STATUS OF CO-OPERATION IN EUROPE[1]

TABLE XCI

MEMBERSHIP IN CONSUMERS' CO-OPERATIVE SOCIETIES IN EUROPE (PARTIAL LIST) IN 1914 AND IN 1918 (OR THEREABOUT)

Country	1914		1918
	Proportion of Members per 1,000 Inhabitants*	Number of Members	Number of Members
British Isles	264	3,054,000	3,846,000 4,131,000 (1919)
Germany	121	2,000,000	4,000,000
Russia	34	1,500,000,	12,000,000
France	90	881,000	1,800,000
Italy	43	400,000	500,000
Switzerland	290	276,000	354,000
Finland	120	97,000	201,000
Austria	70	423,000	?
Denmark	350	250,000	?
Belgium	90	170,000	?

* The number of cooperators per 1,000 inhabitants is multiplied by four because each cooperator stands for a family, sometimes a very large family; there is very rarely more than one member of the same family.

The high place the small countries—Denmark, Switzerland, and Finland—take in this classification is worthy of remark.

The increase in the neutral countries can be explained by the fact that cooperative societies have shared in a general prosperity. But in the belligerent countries, those who remained at home increased their consumption on account of the increase in wages and allowances, and further, the number of members of the societies has increased, because the general raising of prices has forced the public towards cooperation. It is possible, however, that these increases will not be permanent.

[1] Adapted with permission from Charles Gide, *Consumers' Cooperative Societies* (Eng. transl.), pp. 30–40. (T. Fisher Unwin, London, 1920.)

The principal cooperative countries advance at very different speeds along the road to cooperation. First of all, the United Kingdom excels by the number of its cooperators—more than four million families, which represents about one-third of the population of Great Britain, leaving out Ireland, where consumers' cooperation is of little account. There are certain counties where the proportion of cooperators rises to a half and even three-quarters of the population.

All the societies are strong, for their average membership (1914) is over 2,200 (290 in France) while their average sales per member is over twice that of France.

Germany, as we have said, is above all the home of cooperative credit societies, though it made great strides in the years before the war, at a rate of progress much higher than that of Great Britain. Breslau has the biggest society in the world with 100,000 members.

The average of sales per member is much smaller in Germany than in Great Britain, but this is explained less by disloyalty of members than by the fact that these societies confine their trade to groceries.

France, as we have already seen, comes first after Russia as regards the number of its societies, but there is nothing for her to boast about in this, as the large number of societies is not a sign of strength, but of weakness; it is simply a sign of the scattered and overlapping nature of the societies.

Switzerland takes a high place among the cooperative countries, for it has 78 cooperators per 1,000 inhabitants as compared with Britain's 74.

Belgium is the only country where the cooperative movement has taken a decidedly original form and a socialist and political colour.

In Russia development of cooperation was very slow until the first years of this century, but during the last ten years it has made great strides, and the war has given it an unexpected impetus. Doubtless the *Mir* and the *Artels* had already shown the innate aptitude of the Russian people for association. It is therefore not surprising that as these antiquated forms disappear the spirit of association should manifest itself in a new form. The democratic movement here finds an outlet while the special progress due to the war is explained by the necessity of struggling against the increase of prices.

6. THE STATUS OF CONSUMERS CO-OPERATION IN THE UNITED STATES IN 1920[1]

The United States Bureau of Labor Statistics conducted an investigation of consumers cooperation in 1920 and found some 2,600 societies to be in existence. Only 1,009, however, furnished data of whom only 828 were exclusively consumers cooperatives while the remainder were mixed societies combining both cooperative marketing and purchasing. Eight hundred and seven or 80 per cent of the total, were conducted strictly according to Rochdale principles. The membership in the societies that reported was slightly over 260,000. If the other 1,600 societies had an equal average membership, the total number of cooperative members would have been nearly 700,000. About a third of the societies had less than 100 members and, approximately another third had between 100 and 200. There were five consumers societies however that had more than 5,000 members.

The societies were almost overwhelmingly located either in the country or in the smaller towns and cities. Few have found foothold in the larger centers of population. Most of the societies have not been running long, more than 40 per cent of the consumers' societies having been formed within two years and more than 70 per cent within five. Approximately a seventh, however, had been operating for more than ten years and some 3 per cent for more than twenty-five years.

Six hundred and fifty consumers' societies sold sixty-five million dollars worth of goods or an average of $100,000 per society and of $353 per member. One hundred and sixty-one mixed societies sold approximately fifteen million dollars worth of goods or an average of something over $95,000 per society and of $378 per member. Making equal allowance for the known societies that did not report, we would have an estimate of total sales of 258 million dollars.

Approximately eighty per cent of the stores that reported had earned a profit during the preceding year, averaging 3.6 per cent of the gross sales. After deducting the losses of the remaining twenty per cent, the net profits for all the stores reporting amounted to 2.4 per cent. The operating expenses were found to be somewhat lower than those shown for private grocery stores by the Harvard Bureau of Business Research.

The shares of stock in the exclusively consumers' societies were found to be generally from $5 to $10 a share with the usual provision

[1] Adapted with permission from Florence E. Parker, "Consumers Cooperative Societies in the United States in 1920," *Bulletin 313, U.S. Bureau of Labor Statistics.*

however that a member must subscribe to more than one share. The minimum investment permitted indeed averaged $47.

[NOTE: The co-operative movement is especially strong among the Finns and the coal miners of Illinois and Pennsylvania. The movement has suffered from many fraudulent co-operative concerns which have been devised to sell stock rather than give service. One such company, although violating every principle of the Rochdale system, sold over $28,000,000 of stock in two years.—ED.]

7. SOME REASONS FOR THE PAST FAILURE OF CO-OPERATION IN THE UNITED STATES[1]

Of 56 societies that have dissolved within the past fifteen years the stated causes of failure are surprisingly similar. The testimony tersely given by former managers or secretaries is thoroughly instructive. For example, the half-illiterate manager of a small New Hampshire society which failed in 1907 wrote: "The hole cause of it going under they would not corprate and small capital." The secretary of another society of the same state wrote: "The association went up for the reason that its members could not be taught co-operation and its value in the future." A Connecticut society wrote: "The company went into bankruptcy for the reason that its members, 136 in number, did not sustain the store and the management had to rely on outside trade, and not being able to collect from members, times being hard, the result as above." The secretary of a Maine society wrote: "There is something lacking, they cannot make one run in Maine. I think the most trouble is they do not get a man who is used to buying and is *honest* to run them."

These four letters contain the essence of the causes of failure usually ascribed: bad management, extended credit, dishonesty, ignorance of business, small capital, and most of all, the ignorance and disloyalty of members. Closer examination shows that these causes may be reduced to two of which all others are but phases—bad management and lack of co-operation.

The basic errors in management include ill-chosen location (not central) and ill-composed membership (mixed races or employes of different trades unable to work harmoniously). More important, however, are errors in the administration of the business of the societies. Business difficulties leading to failure are usually the result of a

[1] Taken with permission from James Ford, *Co-operation in New England.* (Published by Survey Associates, Inc., 1913. Copyright, 1913, by the Russell Sage Foundation.)

management that is either inexperienced, tactless, or dishonest on the one hand, or self-centered, subverting co-operation by what one ardent New England co-operator calls "one-man powerism" on the other. Yet the faults of the manager are the faults of the society he represents. If a society fails through the machinations of its manager, co-operation has in that instance proved itself inadequate; the members who were victimized chose the manager and are in so far responsible for the resultant failure.

Co-operative societies not only fail from unwise selection of officials but also they may try to save money by paying their manager too small a salary. Thus one of New England's largest co-operative stores pays its manager only $21 a week, which is much less than his service would command elsewhere. If the manager is full of co-operative idealism he may accept the low salary and stay at a sacrifice, but otherwise, especially if he has business initiative, he may seek a more lucrative position elsewhere. Change results in instability of management, with consequent loss inevitable upon readjustment.

An outside cause of business failure is competition which steals trade. But neither the bargain sale nor the boycott can materially harm a co-operative society unless there is disloyalty on the part of members, who are willing to abandon a society that embodies their hopes in the pursuit of a momentary gain.

8. THE POSITION OF THE EMPLOYEES IN THE BRITISH CO-OPERATIVE MOVEMENT[1]

This question resolves itself into two separate issues: What are the material conditions enjoyed by the 100,000 salaried officials and manual workers engaged in the Stores and the Wholesale Societies and their productive establishments, and what is their relationship with their direct employers, the working-class population of some twelve millions included in the co-operative membership? Let us first take the wages, hours and other conditions of employment.

The first remarkable characteristic of employment in the Co-operative Movement compared with that of capitalist enterprise is the relatively low payment to managing ability, and "brainwork" generally, compared with the wages afforded to manual workers. The highest salary in the whole Co-operative movement, and this

[1] Adapted with permission from Sidney and Beatrice Webb, *The Co-operative Movement*, pp. 11–13. (Fabian Research Report Supplement to the *New Statesman*, Vol. III, No. 60, 1914.)

quite an exceptional case, is 1,200 pounds a year. The salaries of the heads of the Wholesale departments, who must have great technical knowledge, range from 400 pounds to 800 pounds; and these figures represent also the salaries offered to the General Managers of the largest stores selling a half a million pounds worth of goods annually. The usual salary for a General Manager of a medium-sized store is 4 pounds or 5 pounds a week.

Turning now to the shop assistants, clerks and warehousemen, etc., we find that, with some unfortunate exceptions, the hours of labour in the co-operative establishments are habitually shorter than those in the capitalist shops and warehouses, the allowance of holidays is more liberal, the treatment in sickness is more humane, there is much greater security of tenure, and there is on the whole more consideration shown. But, as perhaps might have been expected from the existence of keen commercial competition between shops and stores, the difference is not very great. It is perhaps even less with regard to wages than with regard to the other conditions of employment. The men and women employed in the different co-operative stores often seem to be getting just the same wages as those of equal grade and skill in the local shops.

The manufacturing departments allow of more exact comparison between co-operative and capitalistic employment. So far as trade union membership extends, the co-operative establishments pay the currently-accepted local Standard Rate. Co-operators not unreasonably object to the demands that are from time to time inconsiderately made, on behalf of their operatives, for the payment of higher wages or the concession of better terms than the trade union is able to enforce on the capitalists with whom the co-operators have to compete.

Speaking generally, the employees of co-operative societies are, so far as wages and hours of labour are concerned, in much the same position as they would be under employers on a large scale—we may even add, as regards continuity of employment, amenity of work and general consideration, in the position that they would be under the best employers in their respective trades. The greatest admirers and defenders of the Movement can make for it no higher claim. To put it shortly, whatever economic gain is made by Co-operation goes, not to the employee as an employee, but to the consumer as consumer (the employees being included among consumers).

But when the Co-operative Wholesale Society started, in 1872, its own "productive" departments, the question was raised as to the position of the operative bootmakers and biscuit makers who are

taken on. The middle class idealists, then influential in the movement, who had joined the Co-operative Movement in order to promote the ideal of "self-employment," demanded, for the manual working wage-earners who were employed in this "production for use," at least a "share of the profits" of the concern. The battle—in which the employees themselves took practically no part—was really the old conflict between two rival conceptions of industrial organization—between the idea of manufacture organized by groups of producers, *for exchange* to the rest of the world (production, therefore, for "profit," in which the manual workers could plausibly claim some share as against the capitalist proprietors); and the idea of manufacture organized by the whole democracy of consumers, for themselves (production, therefore, *for use*, in which there could be no "profit" to share). In the end it became apparent to the mass of co-operators, apart from any theory, that it was simply not practicable to give to the heterogeneous workers in each manufacturing department of the wholesale anything really corresponding to a "share in the profits" of their own particular industry, and that, in fact, as the products were not sold on the market, but merely transferred to other departments at an arbitrary valuation, no such "profits" could really be ascertained or calculated with any exactitude. To give to all the employees of the Co-operative Wholesale Society, whether "productive," or "distributive," a share in the "profits" of the concern as a whole—dependent as these are, in the main, on chances of the market unconnected with the zeal or efficiency of the operatives—appeared to the English co-operators to offer no advantages; and to amount, in fact, only to a varying and uncertain bonus, in addition to wages. The directors of the Scottish Co-operative Wholesale Society decided to give such a bonus on wages, and a few of the stores have followed their example; without, as far as can be detected, any appreciable results.

But to the employees mere membership in the Co-operative Movement is illusory as a method of protection from sweating or personal oppression. The man standing at the machine which stamps soap at Irlam, or the woman packing jellies at Silvertown, can hardly hope to influence, through the members' meeting of his local society and the committee that he may help to elect, the Quarterly Meeting of delegates from co-operative committees all over the Kingdom which is assumed to control the Executive of the Co-operative Wholesale Society.

We see, therefore, that there is nothing in co-operative employment to prevent the same disputes arising as in capitalist industry. Sometimes it is the rate of wages (usually the interpretation of the Standard Rate on a piecework basis) that is complained of, less often the hours of labour. There have been the same occasional outbursts of resentment at the discharge of particular employees ("victimisation"), or at the incivility of a particular foreman. We have even the same attitude—the objection to any interference with "management" or "discipline"—taken up instinctively by co-operative as by other employers. Thus, there has not infrequently been industrial conflict in co-operative establishments as in others. These strikes have neither been numerous, nor prolonged, nor embittered, and they have always been settled without leaving any permanent soreness between the management and the particular employees, or the Trade Union that had intervened. But to prevent the scandal of these small but recurring disputes, between the wage-earners organized as consumers and the wage-earners organized as producers, a Joint Committee of the Trade Union Congress and the Co-operative Union has been established.

[NOTE: Since this was written an aggressive union of some 90,000 co-operative employees has arisen. By carrying on agitation within the ranks of the co-operative societies and by the ready use of the strike they have succeeded in raising wages appreciably above the subsistence level and much in excess of those prevailing in other shops. Hours also have been reduced to a much lower point than in other retail stores. Along with this, however, the union of co-operative employees demanded "joint control" of the whole movement whereby employees and consumers would jointly share the management and presumably the profits. The retail stores bargain collectively with this union but have not of course granted any control to the workers as such. There is an increasing tendency, however, to remove some of the disabilities concerning voting and holding office which have been imposed upon employees who are also members. The English wholesale, while granting the union scale of wages, refuses to deal with this particular union as such.—ED.]

9. THE FUTURE OF CO-OPERATION[1]

We see from the foregoing survey of the Co-operative Movement throughout the world that, unlike the Associations of Producers, the Associations of Consumers afford, at any rate, a real and practic-

[1] Adapted with permission from *The New Statesman*, III, No. 60 (May 30, 1914, Special Supplement), 25–33. (Published by the Statesman Publishing Co., Ltd., London, 1914.)

able alternative to capitalist ownership as a means of organizing and controlling industry.

1. *A genuine alternative.*—The organisation of industry by Associations of Consumers offers, as far as it goes, a genuine alternative to capitalist ownership, because it supersedes the capitalist owner, whether individual or joint-stock, alike in the control of the instruments of production by which the community lives, and in the absorption of the profits, which otherwise support a capitalist class. The ownership and control are vested in, and the profits are distributed among, the whole community of consumers, irrespective of their individual wealth. The Co-operative Movement has, without divorcing them from their fellows, given to thousands of the manual workers both administrative experience and a well-grounded self-confidence; and has thus enabled them to take a fuller part in political and social life than would otherwise have been possible. It may seem as if the co-operators had but to extend their recruiting to the whole population, and supply their successful democracy to every branch of industry, for the economic problems of society to be completely solved. Closer inspection, however, reveals narrower limits to the potentialities of the voluntary Associations of Consumers, and brings to light imperfections and drawbacks, even dangers and possible evils.

2. *Shortcomings.*—We shall first deal with shortcomings and defects which appear to be temporary and remediable, and afterwards we shall point out what seems to us permanent drawbacks and essential limitations.

One of the complaints made against the British co-operators in particular is what has been called "dividend-hunting." This outcry appears to us to have arisen largely from a confusion of terminology. Dividend in a capitalist company means tribute. Dividend in a co-operative society is not tribute, but merely a rebate or discount. What is open to criticism in the Co-operative Societies of Great Britain, in comparison with the leading Belgian societies, is the extremely individualistic attitude taken by the members in the matter of the disposition of the common surplus, out of which the dividend is paid. The vast majority of British co-operators habitually take it for granted that the whole of this surplus ought, as a matter of course, to be distributed among the members, and thus *transformed from common property to individual property.* It is true that nearly all British co-operative societies devote 2½ per cent to "Education." But

it does not seem to have dawned on the average British co-operator that there would be advantages in retaining part of the surplus for other common purposes. It was by no means the smallest advantage of the mediaeval gilds that they were, in the fullest sense, fraternities having a certain amount of property in common. All the members of a co-operative society, like those of a gild, are exposed to the common contingencies of life—why should there not be much more co-operative provision made? We have in the British Co-operative Movement little of the spirit which makes the larger Belgian societies systematically provide, as a matter of course, free bread and groceries for their members when sick, or at childbirth, or when the bread-winner is unemployed; or the gratuitous services of the Society's own medical and nursing staff, or old-age pensions.

3. *Permanent Drawbacks: "Government from above" and "Bureaucracy."*—We come now to a feature of the organisation of industry by Associations of Consumers—a feature the universality of which compels us to infer that it is a necessary accompaniment—which co-operative administrators believe to be essential to efficiency, but which idealist critics regard as a confession of failure. To the employees of an Association of Consumers, its administration is like that of any capitalist enterprise, "Government from Above."

The fundamental principle of the Co-operative Movement is ownership and control by the whole body of consumers. It follows that the men and women who serve behind the counter of the co-operative store, or bake or sew in its workshops and bakeries, or those who manufacture in the "productive" departments of the Wholesale Society, or work on its farms, do not themselves control the particular industries by which they live, or obtain for themselves the product of their particular labours. In this respect, in fact, the Co-operative Society is diametrically opposed to the ideal "Self-governing Workshop."

4. *Limitations.*—We now come to the limitations set to the expansion of Co-operative Associations of Consumers. With all its wonderful success the membership of the Co-operative Movement extends, at present, only to a fraction of the population and industry of any country. Only in a very few parts of England and Scotland, and a still smaller number of districts in Germany, Denmark and Switzerland, can we estimate that any large majority of the whole wage-earning class are in the co-operative ranks. Even in Belgium and Italy, still more in France and the rest of Europe, the co-operators

form as yet only a select minority of the whole proletariat. Moreover, those who have joined are far from being loyal to the store. They resort to it only for some of their purchases. The co-operative societies, indeed, only in a few places supply all the needs of a working-class household. The bulk of those in France and Belgium have not yet become general stores.

Thus, there is still room for an enormous development in every country before the whole wage-earning population of Western Europe can be brought to spend, as is done in not a few villages in Northumberland, and Durham, an average of more than a pound per week per family at the co-operative store. There is room here, on the lines of proved success, for co-operation to grow to several times its present stature.

But even such a prodigious expansion would still leave large parts of industry untouched. Predictions are notoriously hazardous, but it seems to us that there are certain sections of the nation's industry that voluntary Associations of Consumers are, by their very nature, never likely to undertake.

a) The Excluded Classes and Races: The Co-operative Movement fails, as at present organised, to extend its advantages to the very poorest, by whom such advantages are most needed. After seventy years of propaganda nowhere do we find any large proportion of the "submerged tenth" of our civilisation included in co-operative membership. In a sense, it seems, this is inevitable so long as extremes of wealth and poverty exist. In the British cities, for instance, as elsewhere, a large proportion of the exiguous incomes of the very poorest will never be spent in the co-operative store, for the reason that these incomes do not suffice to buy new things at all. A large section of the poor use the cast-off clothes, hats and boots of wealthier classes, which come to them partly by gift and principally through grade after grade of secondhand dealers. Similarly, there is in all large cities, a very large sale of ends and remnants of meat and fish, broken pieces of bread and waste food of all kinds, to buy which, at infinitesimally small prices, members of the poorest families walk for miles. The only remedy for this practical exclusion from the advantages of the co-operative society is such a universal enforcement by law of a prescribed minimum wage as shall prevent the existence of so poor a class, along with such a raising of their standard as will make them resent dependence on such resources; and, on the other hand, such taxation and such an improved training of the wealthier classes as will cure them of waste.

Just as there is a class too poor for co-operation, so there is a class too rich. So long as anything like the present inequalities of income endure, the wealthier part of the population is never likely voluntarily to join the ranks of the working-class Co-operative Movement. And when we realise that, alike in the United Kingdom and the United States, in France and Germany, and in all countries of advanced industrialism, something like one-half of the annual income or wealth production is at present taken by the comparatively small upper and middle class—which do not together amount to more than one-tenth or one-eighth of the whole population—we have regretfully to conclude that only a tiny fraction of the industry resulting in this half of the national product can, so long as we allow it to be enjoyed by a small part of the community, ever be brought under co-operative control. We must, indeed, infer, from all past experience, that the business of Voluntary Associations of Consumers is not likely to go far beyond the articles consumed by that portion of the wage-earning class enjoying fairly regular employment and wages, together with that portion of the population standing immediately above them in the present social scale, the large "black-coated proletariat," to whom the means of automatic saving afforded by the dividend on purchases makes a direct appeal. It is fortunate that it is just these classes, extending from the unskilled laborer to the minor professionals, with incomes from 50 pounds to 400 pounds a year, that seem likely to form the increasing element in the social order of the next half-century.

b) The Industries in Which the Actual Consumers Form an Unfit Unit of Government: It is even more plain, as soon as we give the matter a thought, that the Voluntary Associations of Consumers cannot be made the basis of the government of those industries and services in which the consumers are a perpetually shifting, heterogeneous crowd—as is the case with those who use the railway, tramways, steamship, and omnibus services; with the purchasers of the successive editions of the evening newspapers; with the chance gatherings which throng the public-houses and the restaurants, The case is the same when use or consumption is essentially compulsory, as with the water supply or drainage of a city; or when it is found convenient for the service to be supplied gratuitously on a communistic basis, as with colleges, schools, libraries, museums, parks, and many other municipal services. Moreover, there are some services in which the consumers not only form an unfit unit of government, but also find it almost necessary to let the service be run on a national basis, such as the post-office, telegraph, telephone,

and savings bank; and others, like the railway and steamship service, and the mining of coal and iron which are for many reasons not likely to be taken out of the control of private capitalism, except by and for the state as a whole. The workers in all these industries, who number in the aggregate many millions, must perforce look elsewhere than to the voluntary Association of Consumers for any alternative to private capitalism.

Surveying these limitations, we cannot refrain from the inference that the business of the Voluntary Associations of Consumers is not likely ever to go much beyond the articles consumed by that portion of the wage-earning class which enjoys a fairly regular wage and the social stratum immediately above the manual working class. Even this range must be narrowed by deducting from their expenditures the large proportion devoted, on the one hand, to rent, and the cost of transportation, and on the other to gambling, theatres and other forms of recreation which the Co-operative Movement can hardly touch. In order to give definiteness to our suggestion, we hazard a statistical estimate. Thus limited, the possible extent of the annual trade of the co-operative stores and wholesales in Great Britain, if they extended to their utmost, from one end of the country to the other, may be put—pending any extensive economic transformations of society—at something like four to five hundred millions sterling, being only one-fifth of the total national production. The possible sphere on the Continent is at least as narrowly limited.

It is therefore to be concluded, with regret, that with regard to actually a majority of the workers, and even a large majority, the industry in which they are employed cannot by any possibility be brought under the control of Voluntary Associations of Consumers. The Co-operative Movement, whilst it may help them as consumers, affords, in their working lives, no alternative to the Capitalist System.

PROBLEMS

1. How can consumers' co-operatives be regarded as a branch of the labor movement?
2. What is the difference between consumers' co-operation, producers' co-operation, co-operative marketing, co-operative banking? Are all these related to each other? If so, how?
3. "The consumers' co-operative society does not differ from any private business—it is seeking profits." Do you agree? If so, why? If not, why not?
4. What are the economic advantages of co-operative stores over private stores?

5. Which is the preferable method, (*a*) sale at cost plus allowance for overhead, or (*b*) sale at market price with dividend on purchases? Why?
6. "This is a co-operative concern: we distribute profits in proportion to the amount of stock held." Comment.
7. It is the custom of many English and Belgian co-operative stores to sell goods above the current market price in order to declare large dividends. Many co-operators approve of this method. Why do they? Do you believe it is (*a*) desirable, (*b*) advisable?
8. A and B are members of a co-operative store which with a capital of $50,000 made a net profit of $10,000 on a turnover of $100,000. The normal market rate of interest is 6 per cent. A owned $50 worth of stock, whereas B owned only $5 worth, but A had purchased during the year $200 worth of provisions while B purchased only $20. Allowing $1,000 as a proper amount for reinvestment, how would A and B share in the remainder (*a*) if the organization was a joint-stock company, (*b*) if it was organized on the Rochdale basis? Work out in detail.
9. Should a co-operative normally sell on credit to its members? Why or why not? Should it extend credit to a family that is suffering from unemployment or illness? Why? Should it give credit to workmen who are out on strike and therefore cannot pay? Why?
10. Why do the various "army and navy co-operative stores" generally sell at cost price rather than at market price? Is this generally characteristic of co-operative ventures by the middle class?
11. Why did the British Wholesale Society decide to sell only to its own members? Do you think its decision was wise? Why do the British Retail societies sell to the public? What advantages and disadvantages does this entail? What special conditions have the British societies adopted as regards this policy?
12. Some goods such as sugar, etc., are sold at market price with a very low percentage of profit, while others, such as preserves, bring a very high profit. Is it fair that X who purchases $10 worth of sugar should receive the same amount of profit as Y who purchases $10 worth of preserves? Why or why not? What would be likely to happen if dividends were distributed on the basis of the profit upon specific individual purchases rather than upon the average profit on all purchases?
13. In the Belgian co-operatives a large proportion of the surplus is not distributed among the purchasers but is devoted to educational purposes and to socialistic propaganda. Why is this not done in England? Would the English system have grown as rapidly had it been practiced? Why or why not? Is the time ripe for the co-operative movement in England to devote a larger proportion to education? Why?
14. What are the advantages in having the individual co-operative societies in a given city of very large size? What are the disadvantages?

Would it be better to have more societies with a smaller membership? Why?

15. It has been the custom of many co-operative societies in the United States to establish wholesale societies and then try to organize branches which will serve as retail societies. This has been attacked by others who state that the movement should start at the bottom in the formation of retail societies and then later build up wholesale. What might be the arguments on both sides of this question? Which of these methods do you consider preferable and why?
16. Why did the retail co-operatives organize wholesalers? How are these governed and how are their profits distributed?
17. What has been the effect of co-operation upon the quality of the goods sold?
18. How great have been the savings effected by consumers' co-operatives?
19. What are the distinctive features of Belgian co-operation as contrasted with English?
20. What proportion of the population of England is served by consumers' co-operatives? In France, Belgium, Germany, Russia, the United States?
21. How do you account for the world-wide growth of co-operation? For the wartime increase?
22. Would co-operation have increased as rapidly in England had there been chain stores or mail-order houses?
23. Why has co-operation been so slow in developing in the United States? To what extent do those difficulties still exist? To what extent can they be overcome?
24. "The loyalty of the women is essential to the success of the co-operative movement." Why?
25. "The consumers' co-operative store is an arm to protect labor in the event of struggle." Explain.
26. "The co-operative society is especially valuable in training administrative officers for labor and holding men of talent in the labor movement." Explain.
27. What is the status of the employees of co-operative societies, as regards (*a*) wages, (*b*) hours, (*c*) conditions of work, (*d*) collective bargaining, (*e*) control over policies?
28. To what industries can consumers' co-operation be applied? To what can it not be applied?
29. To what extent is co-operation a solution of the labor problem?
30. A number of co-operative projects which have been started in the vicinity of Chicago have paid liberal commissions to their organizers. Is this good co-operative practice? Why?
31. Investigate the Co-operative Society of America promoted by Mr. Harrison Parker and determine whether it was a bona fide co-operative organization. Point out the specific features which it had in common with co-operative societies and those in which it differed.

32. How do you account for the fact that twenty-eight million dollars of stock in the Co-operative Society of America was purchased by individuals? What does it indicate concerning the popular attitude toward our retail market structure?

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CHAPTER XXIII

LABOR IN POLITICS

The labor movement finds expression not only in trades unions and co-operative societies, but in political action as well. On the continent of Europe, the Socialist party generally acts as the political branch of the labor movement. Recent Swedish governments have been Socialistic as was the post-war government of Germany. In Belgium and Poland the Socialists have been members of coalition governments, while in Italy, they are very strong. In addition to this certain other countries, such as Russia, are communistic in nature.

In England, the Labor Party is the strongest party in opposition to the present government (1923) with an approximate representation of one hundred and forty in the House of Commons. Had the members been chosen by proportional representation (i.e., in proportion to the votes cast) the labor representation would be still greater.

In the United States, the dominant leaders of the American Federation of Labor have opposed the formation of a separate labor party. There has always been a large group within the American Federation, however, who have believed in the formation of an independent labor party and on many occasions they have sought to have the Federation indorse such action. Some of the leaders of this group were instrumental in forming the Farmer-Labor Party which was organized in 1920. The present chapter is very closely interrelated with the subject-matter of Part Seven following.

1. HISTORY OF BRITISH LABOR IN POLITICS

a) CHARTISM, TRADE UNIONISM, AND THE RISE OF THE BRITISH LABOR PARTY[1]

The essential fact about Chartism is that it was the first great movement to be engineered and controlled by workingmen in modern times. In its more orderly aspects it did not differ greatly from the modern English labor movement, though of course it was dealing with unfranchised workers and not with voters. Its ultimate purposes were socialistic. But its immediate purposes were political. The

[1] Adapted with permission from Conyers Read, "Political Progress of the English Workingman," *Journal of Political Economy*, XXVIII (July, 1920), 606–17.

People's Charter which embodied its program was in brief a demand that the workingman should enjoy an equal place in the body politic with every other class in the community, that he should be able not only to vote but to sit in Parliament. The expectation of its leaders was that once the workingman was able to exert his strength at the polls, the social revolution would easily and peaceably be brought about by due process of law. The demands were briefly these: manhood suffrage, vote by ballot, abolition of property qualifications for membership in Parliament, equal electoral districts, and annual parliaments.

In view of the fact that most of what the Chartists strove for has since been achieved it is hard to reproach them with failure. The strength of Chartism lay in its protest against social and industrial evils which the famous six points scarcely touched. It was political in its form but social in its content. Its strength ebbed and flowed with the flow and ebb of industrial prosperity. It languished during the relatively prosperous years between 1842 and 1845; the temporary depression of 1847 combined with the general unrest which prevailed in Europe in 1848 revived it for a season, but it petered out in the 1850's for lack of food to feed upon. The arguments in favor of the Charter were just as valid in the fifties as they had been in the early forties but the driving force of misery was lacking, or at any rate was greatly weakened. The workingman was enough better off in the 1850's to lose interest in political panaceas however much they promised.

The memory of Chartist failures created in the minds of the unionists a strong aversion from any further intermeddling in political reform and this aversion was not in fact overcome to any marked degree before the very end of the last century. The only kind of political activity which the local trades were disposed to countenance was the kind which sought to secure legislation favorable to their own union interests.

The consequence was that organized labor as such played a very small part in the promotion of the parliamentary reform bills of 1867 and of 1884.

The immediate effect of giving the workingman the vote was simply to increase the constituents of the two old parties. The workingman does not seem to have discriminated much between the two. The Conservatives won almost as much support from him in the three elections following 1867 as did the Liberals. Yet it is

undoubted that his influence in politics was very strikingly increased by his securing of the franchise.

Old party leaders began also to listen with more deference to the demands of trade-union officials. The remarkable growth of trade unions between 1867 and 1875 was due in large part to the extraordinarily favorable business conditions which prevailed during those years. In 1874 this prosperity suddenly came to an end and was followed by a long period of hard times. The effect upon the workingman was as usual very distressing. Wages went down, hours went up, unemployment increased by leaps and bounds. The trade unions, which were almost all of them mutual-benefit societies, were hard put to it to provide support for their idle members. It was futile to organize strikes when employers were only too glad for an excuse to close down their factories for a season. In fact the trade unions were helpless to cope with a situation which was rapidly becoming desperate. The politicians were equally helpless. Liberal leaders were prepared to support a further extension of the franchise, but it was pretty clear that the franchise would not feed the hungry and clothe the naked. Yet the politicians had nothing further to suggest.

But the Socialist had. Once more they appeared upon the scene, and this time they brought a quiver full of arguments borrowed from the armory of Karl Marx himself. Their new gospel was not in essentials so very different from their old one. Like Owen they insisted that the recurrent evils of industrial society sprang from the defects of the industrial organization. Like Owen they denounced capitalistic control of the means of production and demanded for the workingman the whole produce of his labour. But in place of Owens' co-operative communities they proposed to substitute national control. Most of them agreed with Lovett that the means of salvation lay through the ballot box and they intended to accomplish social revolution by organizing the full voting strength of the workingman in its support.

Their program demanded immediate political action and it ran counter to the accepted policy of the Amalgamated Trades. Nevertheless they found stout champions in the trade-union ranks, particularly in John Burns and Tom Mann. For something like five years these ardent young socialists contended in the Trade Union Congresses with the old champions of laissez faire trade unionism. And in 1890, thanks partly to the great victory of Burns and Mann in the dock-workers' strike of 1889, they finally won the day. The effect of their success was far-reaching. It involved the definite abandonment by

the trade unions of their old policy of letting general politics alone and committed them to a program of social legislation for which they could hardly expect support from either of the existing parties.

It was from this new unionism of the early 1890's that the English Labour Party was born in 1899. Its birthday marks the definite re-entry of the trade union into the field of general politics. It marks even more than that. It marks the beginning of an effort on the part of the trade unions to dominate the politics of the workingman. For the English Labour Party as it was originally constituted limited its membership to trade unionists and to members of a few relatively small affiliated organizations. Naturally it courted the support of the whole workingman vote, but it made no place for unorganized labor in its councils. It was in fact a party run in the interests of labor by a trade-union committee.

It first began to play an active part in politics in the election of 1905. Before that time workingmen had been elected to Parliament. Indeed a scattered few had won seats in every election since 1874, but their success represented the result of local efforts and they stood on no common platform, though they did attempt to follow a concerted plan of action after they took their seats. Usually they went by the name of the Liberal-Labour group. In the election of 1906 the new labor party secured the return of twenty-nine members. These, combined with the Liberal-Labour group, gave the workingman a fighting strength of some fifty in the House of Commons. In the election of 1910 they lost a few seats, but by reason of the more evenly balanced strength of the two great parties their parliamentary position was really stronger.

From 1906 until the outbreak of the war they worked in close harmony with the Liberals and their influence upon liberal policy was very considerable. If one considers the social legislation passed in the House of Commons since 1905 the strength of that influence is apparent. Old-age pensions, national insurance against sickness, disability, and unemployment, child-welfare acts, sweatshop regulations, minimum wage laws, and national employment bureaus—all of these demanded by Labour have been conceded by Liberalism. In fact the whole trend of social legislation during the last two decades in England has to a considerable extent justified the assertion that Labour was leading Liberalism by the nose.

The fundamental defect of the English Labour Party as it existed before the war was that the only group outside the organized-labour group which it admitted to its councils was the Socialists. It also

did not completely represent the very workingmen whom it aimed to serve because it was fundamentally a federation of trade unionists and not a free-for-all workingman's party. The Great War just passed revealed to its leaders both of these defects and set them at work to correct them. In 1917 the Labour Party was completely reorganized. Instead of a trade-union affair it was converted into a national democratic party, which, though recognizing the unions, based its organization upon local party associations. Membership in these associations was thrown open to every hand worker and brain worker who accepted the constitution of the party and subscribed to its program. At the same time it stated its program rather more explicitly than it ever had before. Arthur Henderson stands today on much the same platform that William Lovett stood 80 years ago—a reorganization of industrial society along socialistic lines to be accomplished gradually and by due process of law.

The Labour Party is the one political movement of present-day England which is beyond question a workingman's movement. But it never has commanded anything like the full strength of the workingman in politics. The best showing it ever made in a parliamentary election was in December, 1918, when it returned sixty-one members to the House of Commons out of a total of over six hundred. This means that the majority of the workingmen never have supported the Labour Party platform at the polls. Most of them are still to be found in the ranks of the Liberals and of the Conservatives. And the influence of the workingman in modern English politics has been much more potent in modifying the program of the old middle-class parties than it has been in promoting the program of its own.

b) PRESENT ORGANIZATION OF THE BRITISH LABOUR PARTY[1]

With the adoption of its new constitution the Labour Party has been transformed from a federation, consisting of Trade Unions, Socialist Societies, etc., into a national political party, membership in which is open to every man and woman who accepts the Party's program. It was felt to be necessary to include the large body of people who were, for various reasons, neither members of a Trade Union nor of a Socialist Society. The new constitution makes individual membership a cardinal point of the scheme.

[1] Adapted from *The Labour Year Book*, 1919, pp. 3–4. (Published by British Labour Party, 33 Eccleston Square, London.)

The Annual Party Conference will be constituted, as hitherto, of delegates representing the affiliated Trade Unions and other societies, on the basis of one for each 1,000 members, and of the local Labour Party delegates. The members of the National Executive of the Party, and the duly sanctioned Parliamentary candidates have the right to attend the Conference ex officio, but have no power to vote unless they are chosen as delegates.

c) THE RECONSTRUCTION PROGRAM OF THE BRITISH LABOR PARTY—LABOR AND THE NEW SOCIAL ORDER[1]

The end of a civilization.—We need to beware of patchwork. The view of the Labor party is that what has to be reconstructed after the war is not this or that government department, or this or that piece of social machinery; but, so far as Britain is concerned, society itself.

If we in Britain are to escape from the decay of civilization itself we must ensure that what is presently to be built up is a new social order, based not on fighting but on fraternity—not on the competitive struggle for the means of a bare life, but on a deliberately planned cooperation in production and distribution for the benefit of all who participate by hand or by brain—not on the utmost possible inequality of riches, but on a systematic approach towards a healthy equality of material circumstances for every person born into the world, but, in industry as well as in government, on that equal freedom, and that widest possible participation in power, both economic and political, which is characteristic of democracy. The four pillars of the house that we propose to erect, resting upon the common foundation of the democratic control of society in all its activities, may be termed: (1) the universal enforcement of the national minimum; (2) the democratic control of industry; (3) the revolution in national finance; and (4) the surplus wealth for the common good.

1. *The universal enforcement of a national minimum.*—The first principle of the Labor party—in significant contrast with those of the capitalist system, whether expressed by the Liberal or by the Conservative party—is the securing to every member of the community, in good times and bad alike (and not only to the strong and able, the well born or the fortunate), of all the requisites of healthy life and worthy citizenship. This is in no sense a "class" proposal. Such an amount of social protection of the individual, however poor or lowly,

[1] Adapted from a reprint of *Labor and the New Social Order*, published in the United States by the *New Republic*, Vol. XIV, No. 172, Part II, pp. 3–12.

from birth to death, is, as the economist now knows, as indispensable to fruitful cooperation as it is to successful combination; and it affords the only complete safeguard against that insidious degradation of the standard of life which is the worst economic and social calamity to which any community can be subjected. We are members one of another. No man liveth to himself alone. If any, even the humblest, is made to suffer, the whole community and every one of us, whether or not we recognize the fact, is thereby injured. Generation after generation this has been the corner-stone of the faith of Labor. It will be the guiding principle of any Labor government.

Thus it is that the Labor party today stands for the universal application of the policy of the national minimum, to which (as embodied in the successive elaborations of the Factory, Mines, Railways, Shops, Merchant Shipping, and Truck acts, the Public Health, Housing, and Education acts and the Minimum Wage act—all of them aiming at the enforcement of at least the prescribed minimum of leisure, health, education, and subsistence) the spokesmen of Labor have already gained the support of the enlightened statesmen and economists of the world. In view of the fact that many millions of wage-earners, notably women and less skilled workmen in various occupations, are unable by combination to obtain wages adequate for decent maintenance in health, the Labor party intends to see to it that the Trade Boards act is suitably amended and made to apply to all industrial employments in which any considerable number of those employed obtain less than 30*s*. per week. This minimum of not less than 30*s*. per week (which will need revision according to the level of prices) ought to be the very lowest statutory base line for the least skilled adult workers, men or women, in any occupation, in all parts of the United Kingdom.

It has always been a fundamental principle of the Labor party that, in a modern industrial community, it is one of the foremost obligations of the government to find, for every willing worker, whether by hand or by brain, productive work at standard rates.

It is now known that the government can, if it chooses, arrange the public works and the orders of national departments and local authorities in such a way as to maintain the aggregate demand for labor in the whole kingdom (including that of capitalist employers) approximately at a uniform level from year to year; and it is therefore a primary obligation of the government to prevent any considerable or widespread fluctuations in the total numbers employed in times of good or bad trade.

In so far as the government fails to prevent unemployment—whenever it finds it impossible to discover for any willing worker, man or woman, a suitable situation at the standard rate—the Labor party holds that the government must, in the interest of the community as a whole, provide him or her with adequate maintenance, either with such arrangements for honorable employment or with such useful training as may be found practicable, according to age, health and previous occupation.

2. *The democratic control of industry.*—The universal application of the policy of the national minimum is, of course, only the first of the pillars of the house that the Labor party intends to see built. What marks off this party most distinctly from any of the other political parties is its demand for the full and genuine adoption of the principle of democracy. The first condition of democracy is effective personal freedom. This has suffered so many encroachments during the war that it is necessary to state with clearness that the complete removal of all the war-time restrictions on freedom of speech, freedom of publication, freedom of the press, freedom of travel and freedom of choice of place of residence and kind of employment must take place the day after peace is declared. But unlike the Conservative and Liberal parties, the Labor party insists on democracy in industry as well as in government. It demands the progressive elimination from the control of industry of the private capitalist, individual or joint-stock; and the setting free of all who work, whether by hand or by brain, for the service of the community, and of the community only. And the Labor party refuses absolutely to believe that the British people will permanently tolerate any reconstruction or perpetuation of the disorganization, waste and inefficiency involved in the abandonment of British industry to a jostling crowd of separate private employers, with their minds bent, not on the service of the community, but—by the very law of their being—only on the utmost possible profiteering.

The Labor party stands not merely for the principle of the common ownership of the nation's land, to be applied as suitable opportunities occur, but also, specifically, for the immediate nationalization of railways, mines and the production of electrical power. We hold that the very foundation of any successful reorganization of British industry must necessarily be found in the provision of the utmost facilities for transport and communication, the production of power at the cheapest possible rate and the most economical supply of both electrical energy and coal to every corner of the kingdom. Hence

the Labor party stands, unhesitatingly, for the national ownership and administration of the railways and canals, and their union, along with harbors and roads, and the posts and telegraphs—not to say also the great lines of steamers which could at once be owned, if not immediately directly managed in detail, by the government—in a united national service of communication and transport; to be worked, unhampered by capitalist, private or purely local interests (and with a steadily increasing participation of the organized workers in the management, both central and local), exclusively for the common good.

In the production of electricity, for cheap power, light, and heating, this country has so far failed, because of hampering private interests, to take advantage of science. What is called for immediately after the war, is the erection of a score of gigantic "super-power stations," which could generate, at incredibly cheap rates, enough electricity for the use of every industrial establishment and every private household in Great Britain; the present municipal and joint-stock electrical plants being universally linked up and used for local distribution.

But with railways and the generation of electricity in the hands of the public, it would be criminal folly to leave to the present one thousand five hundred colliery companies the power of "holding up" the coal supply. These are now all working under public control, on terms that virtually afford to their shareholders a statutory guarantee of their swollen incomes. The Labor party demands the immediate nationalization of mines, the extraction of coal and iron being worked as a public service (with a steadily increasing participation in the management, both central and local, of the various grades of persons employed); and the whole business of the retail distribution of household coal being undertaken, as a local public service, by the elected municipal or county councils. And there is no reason why coal should fluctuate in price any more than railway fares, or why the consumer should be made to pay more in winter than in summer, or in one town than in another. What the Labor party would aim at is, for household coal of standard quality, a fixed and uniform price for the whole kingdom, payable by rich and poor alike, as unalterable as the penny postage stamp.

But the sphere of immediate nationalization is not restricted to these great industries. We shall never succeed in putting the gigantic system of health insurance on a proper footing, or secure a clear field for the beneficent work of the Friendly Societies, or gain a free hand

for the necessary development of the urgently called for Ministry of Health and the Local Public Health Service, until the nation expropriates the profit-making industrial insurance companies, which now so tyrannously exploit the people with their wasteful house-to-house industrial life assurance.

Moreover, the Labor party holds that the municipalities should not confine their activities to the necessarily costly services of education, sanitation and police; nor yet rest content with acquiring control of the local water, gas, electricity and tramways; but that every facility should be afforded to them to acquire (easily, quickly and cheaply) all the land they require, and to extend their enterprises in housing and town planning, parks, and public libraries, the provision of music and the organization of recreation; and also to undertake, besides the retailing of coal, other services of common utility, particularly the local supply of milk, wherever this is not already fully organized by a cooperative society.

3. *The revolution in national finance.*—In taxation, also, the interests of the professional and house-keeping classes are at one with those of manual workers. Too long has our national finance been regulated, contrary to the teaching of political economy, according to the wishes of the possessing classes and the profits of the financiers. The colossal expenditure involved in the present war (of which, against the protest of the Labor party, only a quarter has been raised by taxation, whilst three-quarters have been borrowed at onerous rates of interest, to be a burden on the nation's future) brings things to a crisis. When peace comes, capital will be needed for all sorts of social enterprises, and the resources of government will necessarily have to be vastly greater than they were before the war. Meanwhile innumerable new private fortunes are being heaped up by those who have taken advantage of the nation's needs; and the one-tenth of the population which owns nine-tenths of the riches of the United Kingdom, far from being made poorer, will find itself, in the aggregate, as a result of the war, drawing in rent and interest and dividends a larger nominal income than ever before. Such a position demands a revolution in national finance. How are we to discharge a public debt that may well reach the almost incredible figure of seven thousand million pounds sterling, and at the same time raise an annual revenue which, for local as well as central government, must probably reach one thousand millions a year? It is over this problem of taxation that the various political parties will be found to be most sharply divided.

For the raising of the greater part of the revenue now required the Labor party looks to the direct taxation of the incomes above the necessary cost of family maintenance; and, for the requisite effort to pay off the national debt, to the direct taxation of private fortunes both during life and at death. The income tax and super-tax ought at once to be thoroughly reformed in assessment and collection, in such a way as to make the real sacrifice of all the tax-payers as nearly as possible equal. This would involve assessment by families instead of by individual persons, so that the burden is alleviated in proportion to the number of persons to be maintained. It would involve the raising of the present unduly low minimum income assessable to the tax, and the lightening of the present unfair burden on the great mass of professional and small trading classes by a new scale of graduation, rising from a penny in the pound on the smallest assessable income up to sixteen or even nineteen shillings in the pound on the highest income of the millionaires. The excess profits tax might well be retained in an appropriate form; whilst, so long as mining royalites exist, the mineral rights duty ought to be increased. The steadily rising unearned increment of urban and mineral land ought, by an appropriate direct taxation of land values, to be wholly brought into the public exchequer. At the same time, for the service and redemption of the national debt, the death duties ought to be regraduated, much more strictly collected, and greatly increased. In this matter we need, in fact, completely to reverse our point of view, and to rearrange the whole taxation of inheritance from the standpoint of asking what is the maximum amount that any rich man should be permitted at death to divert, by his will, from the national exchequer, which should normally be the heir to all private riches in excess of a quite moderate amount by way of family provision. But all this will not suffice. It will be imperative at the earliest possible moment to free the nation from at any rate the greatest part of its new load of interest bearing debt for loans which ought to have been levied as taxation; and the Labor party stands for a special capital levy to pay off, if not the whole, a very substantial part of the entire national debt—a capital levy chargeable like the death duties on all property, but (in order to secure approximate equality of sacrifice) with exemption of the smallest savings, and for the rest at rates very steeply graduated, so as to take only a small contribution from the little people and a very much larger percentage from the millionaires.

Over this issue of how the financial burden of the war is to be borne, and how the necessary revenue is to be raised, the greatest political battles will be fought. In this matter the Labor party claims the support of four-fifths of the whole nation, for the interests of the clerk, the teacher, the doctor, the minister of religion, the average retail shopkeeper and trader, and all the mass of those living on small incomes are identical with those of the artisan. The landlords, the financial magnates, the possessors of great fortunes will not, as a class, willingly forego the relative immunity that they have hitherto enjoyed.

4. *The surplus wealth for the common good.*—In the disposal of the surplus above the standard of life society has hitherto gone as far wrong as in its neglect to secure the necessary basis of any genuine industrial efficiency or decent social order. We have allowed the riches of our mines, the rental value of the lands superior to the margin of cultivation, the extra profits of the fortunate capitalists, even the material outcome of scientific discoveries—which ought by now to have made this Britain of ours immune from class poverty or from any widespread destitution—to be absorbed by individual proprietors; and then devoted very largely to the senseless luxury of an idle rich class. Against this misappropriation of the wealth of the community, the Labor party—speaking in the interests not of the wage-earners alone, but of every grade and section of producers by hand or by brain, not to mention also those of the generations that are to succeed us, and of the permanent welfare of the community—emphatically protests. One main pillar of the house that the Labor party intends to build is the future appropriation of the surplus, not to the enlargement of any individual fortune, but to the common good. It is from this constantly arising surplus (to be secured, on the one hand, by nationalization and municipalization and, on the other, by the steeply graduated taxation of private income and riches) that will have to be found the new capital which the community day by day needs for the perpetual improvement and increase of its various enterprises, for which we shall decline to be dependent on the usury exacting financiers. It is from the same source that has to be defrayed the public provision for the sick and infirm of all kinds (including that for maternity and infancy) which is still so scandalously insufficient; for the aged and those permanently incapacitated by accident or disease, now in many ways so imperfectly cared for; for the education alike of children, of adolescents and of adults, in which the Labor party demands a

genuine equality of opportunity, overcoming all differences of material circumstances; and for the organization of public improvements of all kinds, including the brightening of the lives of those now condemned to almost ceaseless toil, and a great development of the means of recreation. From the same source must come the greatly increased public provision that the Labor party will insist on being made for scientific investigation and original research, in every branch of knowledge, not to say also for the promotion of music, literature and fine art, which have been under capitalism so greatly neglected, and upon which, so the Labor party holds, any real development of civilization fundamentally depends.

Society, like the individual, does not live by bread alone—does not exist only for perpetual wealth production. It is in the proposal for this appropriation of every surplus for the common good—in the vision of its resolute use for the building up of the community as a whole instead of for the magnification of individual fortunes—that the Labor party, as the party of the producers by hand or by brain, most distinctively marks itself off from the older political parties, standing, as these do, essentially for the maintenance, unimpaired, of the perpetual private mortgage upon the annual product of the nation that is involved in the individual ownership of land and capital.

What the Labor party stands for in all fields of life is, essentially, democratic cooperation; and cooperation involves a common purpose which can be agreed to; a common plan which can be explained and discussed, and such a measure of success in the adaptation of means to ends as will ensure a common satisfaction. An autocratic sultan may govern without science if his whim is law. A plutocratic party may choose to ignore science, if it is heedless whether its pretended solutions of social problems that may win political triumphs ultimately succeed or fail. But no Labor party can hope to maintain its position unless its proposals are, in fact, the outcome of the best political science of its time; or to fulfil its purpose unless that science is continually wresting new fields from human ignorance. Hence, although the purpose of the Labor party must, by the law of its being, remain for all time unchanged, its policy and its programme will, we hope, undergo a perpetual development, as knowledge grows, and as new phases of the social problem present themselves, in a continually finer adjustment of our measures to our ends. If law is the mother of freedom, science, to the Labor party, must be the parent of law.

2. EARLY WORKINGMEN'S PARTIES IN THE UNITED STATES

a) THE WORKINGMEN'S PARTY OF NEW YORK CITY: 1829–31[1]

The first step towards the formation of a workingmen's party in New York City was taken at a meeting of "mechanics and others" in April, 1829.

The resolutions adopted condemned the private ownership of land, the hereditary transmission of wealth, banking privileges, chartered monopolies, auction sales and the exemption of church property from taxation, and favored a mechanics' lien law and the abolition of imprisonment for debt. The preliminary portion of the report of the committee laid stress upon the desirability of a scheme of communal education. Under the leadership of Evans and Owen this became the chief plank in the platform of the party.

In the fall election of 1829 the new party nominated a full list of candidates for the Assembly. Its nominees were bona fide workingmen one of whom was elected with a vote of over 6,000.

The first split in the party was on the subject of agrarianism. Equal republican education was heralded by Frances Wright, Robert Dale Owen and George H. Evans as the panacea for all the social and economic ills which then afflicted the American people. This was, for them, the one important plank in their political platform. In comparison with the communal form of education, equal division of property and the abolition of inheritance were matters of secondary importance.

For the fall campaign of 1830 in New York City, four tickets were placed in the field: Tammany, "Clay Workingmen," Workingmen (Owen-Evans wing) and Agrarian (Skidmore branch of the Workingmen). The Owen-Evans party this time polled less than 2,000 votes.

The Democratic party won a complete victory in the state, and Tammany elected its entire city ticket. It has been estimated that about 3,800 workingmen went back into the Tammany fold because of its advocacy of a mechanics' lien law.

This election marks the end of the Workingmen's party. There are traces of its existence in 1831, but after that even its fragments drop out of sight.

[1] Adapted with permission from Frank T. Carlton, *Political Science Quarterly* (September 1907), pp. 402–15.

In conclusion we may profitably inquire: What were the concrete results of the activity of this loose and ephemeral political organization? The chief effects may be summed up as follows: (1) The passage of a mechanics' lien law by the New York legislature. It was clearly for the purpose of placating the workingmen that this measure was supported and pushed through by Tammany. (2) The abolition of imprisonment for debt, by a law passed in the spring of 1831. The stand taken by the Workingmen's party clearly hastened legislative action in this matter. (3) The appropriations for educational purposes in New York City increased very visibly at this time. (4) When, in 1833–37, the strong trade-union movement arose, the fate of the Workingmen's party was accepted as a conclusive argument against direct political effort. Hence the trade unions kept aloof from party politics and merely questioned candidates as to their position on measures which were regarded as affecting the interests of labor.

b) LABOR POLITICS AND THE BUSINESS CYCLE[1]

Labor has its *modus operandi* for every phase of the business cycle. When depression first turns to prosperity, labor demands a shorter day. When work is irregular it is willing to work long hours on the day when work presents itself, but when work becomes a daily routine it wants the day reduced. Steady work, however, swells business prosperity, in that it gives labor a larger total income than it had before, which it carries to market in the form of demand for goods which it previously wanted but could not have. This demand creates a relative scarcity in the goods it wants and thus sends prices beyond its own reach. Labor now turns from the demand for shorter hours to a demand for higher wages to meet the higher prices. This continues as prices soar until finally it recognizes the dilemma of catching up with prices which it itself, in part at least, advances with each increase in purchasing power which it secures. Once it recognizes this dilemma, it goes into politics to curb that element in the community which in the meantime has been profiting from the upward changing prices. Here it demands banking reform, anti-monopoly legislation, government control or regulation of railroad and other

[1] Adapted with permission from Edward B. Mittleman, "Chicago Labor in Politics, 1877–96," *Journal of Political Economy*, XXVIII (May, 1920), 407–9, 426–27.

public utilities, land reform, new taxes. But it is only the leadership that goes into politics at this point—that is, at the crest of the business cycle. The rank and file still have steady employment and are willing to let well enough alone. When the cycle finally takes its downward course and the factories are closed for part time or altogether, they too begin to view politics with favor and now put content into the erstwhile empty aspirations of their leaders. Alongside of politics, labor carries an economic program for the contingencies of depression. When prosperity first turns into depression, it defends the wages it earned during prosperity. If the depression continues, it demands shorter hours, but this time not for the purpose of spreading the available work over a large number of workers. This is the ordinary circuit that labor travels. Sometimes it takes on additional luggage. In times of prosperity it will take on consumers' co-operation to reduce the cost of living to the extent of the middleman's profit; in time of depression it will take on producers' co-operation to give some of the unemployed employment. On four previous occasions Chicago labor has gone into politics—once in 1877, once in 1882, and finally in 1893.

Why were the parties so short-lived? Labor politics thus far have been wholly palliative. Only at the end of a series of strikes aimed to keep wages abreast of rising prices has labor gone into politics. The masses did not go into it until depression came, and went out of it as soon as time brought relief. Under such conditions parties could not thrive. Each disavowal of politics made the next avowal so much the harder. Even after it had been again solemnly resolved that labor had to organize on the political as well as on the economic side, it was then difficult to put content into the resolution. There was no organization; there was no "glorious past." There were no "leaders," spell-binders, ward-heelers, "captains," with which to man an organization. Conventions split as soon as the gavel fell. In the absence of solid organization the old parties had a chance to "play" the new to death. They played one faction against the other and lured away whatever leadership manifested itself.

The socialists were the only ones that brought organization and leadership to the labor parties. But they brought the kind they had in their own organization and those were not altogether suited for getting votes.

3. THE POLITICAL POLICY OF THE AMERICAN FEDERATION OF LABOR

a) THE PRESENT PROCEDURE OF THE A.F. OF L.[1]

Instead of trying to form a political party of its own, the A.F. of L. seeks, through its legislative agents, to obtain laws favorable to Labor. The Trade Unionists are supposed to remain members of the capitalist parties, but they are instructed to give all aid to the friends of Labor and to seek in every manner to defeat the enemies of Labor. They are to endeavor to have the capitalist parties put up for office prominent Trade Unionists in order that these men shall, when elected, represent Labor in the various legislatures and in the administration of the government.

(1) The officials attend the national conventions of the capitalist political parties and seek to pledge these parties to certain labor measures. (2) They endeavor to obtain from those seeking election as legislators definite pledges that they favor certain labor measures. (3) They maintain at all the state capitals and at Washington labor lobbies, intended to accelerate the movement of labor legislation and to watch and report upon the records of legislators. (4) The various unions are called upon to take active steps to have actual Trade Unionists nominated, wherever possible, for public office, and to insure their election. Where it is not possible to have Trade Unionists nominated, it is now the declared policy of the Federation to determine which candidates are the friends of Labor and then to seek to insure their election. When in 1906 it was acknowledged that the legislative agents had failed to obtain results, the American Federation of Labor was driven into partisan politics. It was forced to renounce some of its earlier non-partisan maxims and to ally itself with one of the capitalist parties, in the hope of getting relief from the wrongs suffered by Labor. The political policies of the American Federation of Labor have evolved year by year. And while it still professes to be non-partisan it is now unquestionably allied through its national officers with the Democratic Party.

This support of the Democratic Party by the officials of the A.F. of L. does not mean that the rank and file of Trade Unionists are Democrats. In fact, there are Trade Unionists running for office every election as Democrats, Republicans, Progressives, and Socialists.

[1] Adapted with permission from Robert Hunter, *Labor in Politics*, pp. 42–45. (The Socialist Party, 1915.)

Furthermore, the local unions, in many parts of the country, refuse to take a definite stand in the interest of any party. Probably the majority of Trade Unionists are not Democrats, and for that reason the officials of the A.F. of L. have been until recently exceedingly cautious in declaring openly for the Democratic party. Nevertheless, as it appears, the efforts of the leading officials for some years have been to throw as many labor votes in national elections as possible to the support of that party.[1]

b) THE POLITICAL AIMS OF THE AMERICAN FEDERATION OF LABOR[2]

The political methods employed by the American Federation of Labor can be understood only in the light of what legislation the Federation has been trying to secure from the political state. The Federation of Organized Trades and Labor Unions, the precursor of the A. F. of L., adopted in 1881 thirteen fundamental aims which were of such a character as could only be realized by legislation. The chief of these were the incorporation of labor unions, the abolition of child labor and the compulsory education of children, uniform apprenticeship laws, the enforcement of the eight-hour-day for federal employees, the abolition of the compulsory company store system, the creation of a federal bureau of labor, and the prohibition of the importation of contract laborers.

This political program, however, fell more and more into the background, and the emphasis was instead laid upon the bettering of labor conditions by means of collective bargaining. In 1894 however, a platform proposed by the socialists was adopted, with the exception, indeed, of the most important plank providing for "the collective ownership of the means of production and distribution." Although Mr. Gompers was then defeated for the presidency, he regained office the next year and has ever since been re-elected. Although there has always been a strong socialistic element within the A. F. of L., Mr. Gompers and the dominant group have always opposed both its principles and its methods.

Largely as a result of the suit brought against the Danbury Hatters under the Sherman Anti-Trust Act and the frequent use of the injunction by the employers the A.F. of L. in 1906 addressed a letter to the

[1] [NOTE: The Executive Council of the A.F. of L. has indorsed the Democratic presidential candidates in 1908, 1912, 1916, and 1920.—ED.]

[2] By Paul H. Douglas.

President which they termed, "Labor's Bill of Grievances." This again called among other things, for an effective eight-hour-law for federal employees, for granting to federal employees the right to petition Congress, and above all for the abolition of the use of the injunction in labor disputes and the exemption of labor from the provisions of the Anti-Trust acts. It was at this time that the A. F. of L. tried to get labor sympathizers elected to Congress by urging its members "to reward your friends and punish your enemies." In 1908, the Democratic candidate for president, Mr. Bryan, advocated as one of his chief issues the abolition of the injunction in labor disputes. The Clayton Act of 1914, passed by a Democratic Congress was supposed to meet the chief demands of labor, although later decisions have proved it not to change appreciably the previous legal status of the unions.

In late 1919, after the government had secured an injunction to prevent the miners' strike, the officers of all the internationals issued a demand that the right to strike should not be impaired, injunctions should be limited, and "full and adequate protection" granted to "voluntary associations of wage-earners organized not for profit."

In 1920, the A. F. of L., much against the wishes of Mr. Gompers and his followers, adopted a resolution pledging the organization to support the "Plumb Plan" for the railroads,[1] under which the roads would be owned by the government and managed by a board representing equally the government, the employees, and the active executives. The executive council of the A.F. of L., however, have taken few steps or none in behalf of this resolution.

The American Federation of Labor has in the main either been lukewarm toward or actively opposed to so-called protective legislation for men. It has opposed the regulation of men's hours by the state, save in special cases. Consequently it would oppose minimum wage laws for men, even were they constitutionally possible. For some time Mr. Gompers favored revising the employers' liability laws instead of adopting workmen's compensation although he later changed his point of view. Mr. Gompers and most of his followers are also opposed to unemployment insurance, health insurance, and old-age pensions, although there is a difference of opinion here.

The Federation, however, has earnestly sought legislation to better the conditions of children, women, and government employees. Its attitude toward protective legislation for women, however, has

[1] See p. 916.

been at best ambiguous, since it has not actively favored minimum wage laws and certain other measures for them.

On the whole the political aims of Mr. Gompers and his followers have been to use the state merely to free labor from the legal restrictions and disabilities attached to the exercise of their economic powers. Once this was done, however, they would rely almost exclusively upon their economic power working through the agency of collective bargaining to improve the conditions of the workers. Their belief that the state should take its hands off the regulation of most industrial relations is thus strikingly similar to the individualism of Herbert Spencer and to the liberalism of Cobden, Bright, and Gladstone in their belief in the liberation of intercourse.

Yet during all this time, there has been and still is, a powerful group within the A.F. of L. which believes that the state should be used as a positive force to improve the status of labor. This latter group have consequently been more anxious to have labor representatives in the legislative bodies than Mr. Gompers and his group because they want to have the state *do* more things than he. Yet paradoxically enough, Mr. Gompers seems to have found it increasingly necessary to go into politics in order to keep himself free from them.

4. HISTORICAL SKETCH OF THE SOCIALIST MOVEMENT IN THE UNITED STATES

a) THE SOCIALIST LABOR PARTY AND THE SOCIALISTS[1]

It was in 1874 that various working class elements, including refugee German Marxists and revolutionary American laborers, came together to form an organization which soon became known as the Socialist Labor Party.

For some years the party struggled under great disadvantages. Political activity was sometimes discouraged altogether, and sometimes attempted in temporary alliance with a larger radical group—the Greenback Party in 1880 and the United Labor Party in New York in 1886.

An important crisis occurred in the early eighties when Anarchism, long ago driven from the International in the person of Bakunin, threatened to win to its propaganda the entire American movement. A new organization, the International Working People's Association, made serious inroads upon the membership of the S.L.P. and a large

[1] Adapted with permission from the *American Labor Year Book* (1916), pp. 89–92. (Rand School of Social Science, New York.)

element in the Socialist ranks was openly desirous of affiliation, In 1883, however, the situation was faced, and the policy of Anarchism definitely repudiated by the party.

Their relation to the labor unions has always presented a serious problem to the American Socialist parties. By 1886 the Knights of Labor had become powerful, and by 1890 the American Federation of Labor had already begun to overshadow the older body. By this time the S.L.P. had come under the headship of Daniel De Leon, who continued as leader until his death in 1914. De Leon soon became involved in quarrels which brought the party as a whole in antagonism to each of these national bodies. By the creation of the Socialist Trades and Labor Alliance in 1895, a labor federation under the direct control of the party, a final breach was made, and the Socialist Labor Party remains still opposed to all non-Socialist unions. During this period insurgency was rapidly developing within the party. In 1899 the break proved final, and the seceding members proceeded to form a new organization at Rochester.

Meanwhile Socialism was beginning to emerge in the West, in forms growing directly out of American conditions. Eugene V. Debs, whose imprisonment in connection with the strike of the American Railway Union had made him a Socialist, had gathered together a vaguely Socialist organization, and another group, centering around two Socialist publications, *The Coming Nation* and *The Appeal to Reason*, had in 1897 united with these followers of Debs to form the Social Democracy of America. As the majority of the new party, however, inclined more to Utopian schemes of colonization than to political action, a split took place almost immediately, and Eugene V. Debs and Victor Berger, leader of the Social Democracy in Wisconsin, bolted to found still another organization, the Social Democratic Party of America. It was to the last-named group that the Rochester wing of the S.L.P. made its overtures for union in 1899.

For the purposes of the election of 1900, however, they combined together and in 1901 formed what presently received the title of the Socialist Party. The vote polled by the Socialist Party in the presidential elections from 1900 on has been as follows:

Year	Vote in 000's	Percentage of Total Vote
1900	88	0.6
1904	402	2.9
1908	421	2.9
1912	897	5.9
1916	590	3.2
1920	918	3.5

b) THE SOCIALIST PARTY AND THE WAR[1]

Majority report adopted at the St. Louis Convention April 7, 1917: "The people of the United States have no quarrel with the people of Germany or any other country. They have been plunged into this war by the trickery and treachery of the ruling class. We brand the declaration of war by our government as a crime against the people. In all modern history there has been no war more unjustifiable than the war in which we are about to engage. No greater dishonor has ever been forced upon a people than that which the capitalist is forcing upon this nation against its will. Should conscription be forced upon the people, we pledge ourselves to the support of all mass movements in opposition to conscription."

c) THE PRESENT COMPOSITION AND POLICIES OF THE SOCIALIST PARTY[2]

The membership in the Socialist party in 1918 was approximately 82,000. Shortly after the outbreak of the war, the special convention of the party denounced it as the "most unjustifiable war in history." A number of pro-war socialists then withdrew from the party but the municipal elections of the fall showed an extraordinary increase in the socialist vote and the party membership rose in the early months of 1919 to 105,000. During 1919, however, the party membership declined rapidly due partially to the war-time suppression of many meetings but chiefly because of internal dissension. A large section of the members, swayed by the example of the Bolsheviks in Russia, wished to use "mass-action" (which probably meant violence) to attain power and then to install the dictatorship of the proletariat. The dominant group in the party opposed this and two groups seceded, forming the Communist and Communist Labor parties. The Communist Party was later declared to be illegal and many of its members deported. The two parties were driven underground but seem to have combined in the recently organized Workers Party.

A struggle still went on inside the Socialist party between the "left" and "right" wings and the membership declined still farther. It was only 35,000 during the latter part of 1919, and fell to 27,000 in 1920 and 17,000 in 1921.

[1] Taken with permission from the *American Labor Year Book* (1917–18), pp. 50–53. (Rand School of Social Science, New York.)

[2] Adapted with permission from the *American Labor Year Book* (1921–22), pp. 390–408.

In 1920, the party voted to apply for membership in the Third (Moscow) International but this application was at first refused by that body. The Third International later prescribed twenty-one conditions for membership which were so stringent and extreme that the Executive Committee of the American party and later the party itself refused to conform.

The following excerpts from the 1920 declaration of principles indicate what the Socialist party at present stands for:

The Socialist party of the United States demands that the country and its wealth be redeemed from the control of private interests and turned over to the people to be administered for the equal benefit of all.

America is not owned by the American people. Our so-called national wealth is not the wealth of the nation but of the privileged few. These are the ruling classes of America. They are small in numbers but they dominate the lives and shape the destinies of their fellowmen. They own the people's jobs and determine their wages; they control the markets of the world and fix the prices of farm products; they own their homes and fix their rents; they own their press and formulate their convictions; they own the government and make their laws; they own their schools and mould their minds.

Around and about the capitalist class cluster the numerous and varied groups of the population generally designated as the "middle classes." They consist of farm owners, small merchants and manufacturers, professionals and better paid employees. Their economic status is often precarious. They live in hopes of being lifted into the charmed spheres of the ruling classes. Their social psychology is that of retainers of the wealthy. They are staunch upholders of the existing order of social inequalities.

The bulk of the American people is composed of workers. Workers on the farm and in the factory, in offices, and counting houses, in schools and personal service, workers of hand and brain, all men and women who render useful service to the community in the countless ramified ways of modern civilization. They have made America what it is. They sustain America from day to day. They bear most of the burdens of life and enjoy but few of its pleasures. They create the enormous wealth of the country but live in constant dread of poverty. They feed and clothe the rich and yet bow to their alleged superiority. They keep alive the industries but have no say in their management. They constitute the majority of the people but have no control in the government. Despite the forms of political equality, the workers of the United States are virtually a subject class.

The Socialist party is the party of the workers. It espouses their cause because in the workers lies the hope of the political, economic, and social redemption of the country. The ruling class and their retainers cannot be expected to change the iniquitous system of which they are the beneficiaries. Individual members of these classes often join in the struggle against the capitalist order from motives of personal idealism, but whole classes have never been known to abdicate their rule and surrender their privileges for the mere sake of social justice.

The Socialist party desires the workers of America to take the economic and political power from the capitalist class, not that they may establish themselves as a new ruling class but in order that all class divisions may be abolished forever. To perform this supreme task the workers must be organized as a political party of their own. They must realize that both the Republican and Democratic parties are the political instruments of the master class.

A true political party of labor must be founded upon the uncompromising demand for the complete socialization of the industries. That means doing away with the private ownership of the sources of wealth production and distribution, abolishing workless incomes in the form of profits, interest or rents, transforming the whole able-bodied population of the country into useful workers, and securing to all workers the full social value of their work.

The Socialist party is such a political party. Its purpose is to secure a majority in Congress and in every state legislature and when in power to transfer to the ownership by the people of industries, beginning with those of a public character, such as banking, insurance, mining, transportation and communication as well as the trustified industries, and extending the process to all other industries susceptible of collective ownership, as rapidly as their technical conditions will permit. The Socialist program advocates the socialization of all large farming estates and land used for industrial and public purposes as well as all instrumentalities for storing, preserving and marketing farm products. It does not contemplate interference with the private possession of land actually used and cultivated by occupants.

The Socialist Party seeks to attain its end by orderly and constitutional methods so long as the ballot-box, the right of representation and civil liberties are maintained. Violence is not the weapon of the Socialist party but of the short-sighted representatives of the ruling classes who stupidly believe that social movements and ideals can be destroyed by brutal repression.

In 1921, the party passed a resolution instructing the executive committee to survey all radical and labor organizations in the country to determine their readiness to co-operate with the Socialists in political action "upon a platform not inconsistent with that of the party and on a plan which will preserve the integrity and autonomy of the Socialist party." A gathering of various large labor organizations including the machinists, the Amalgamated Clothing Workers, and others, various farm organizations, and the Farmer-Labor and the Socialist parties met in Cleveland in December, 1921. A motion to

establish one united party supported by all elements was defeated by a small majority. The convention voted to establish state conferences which would try to unify all radical and labor forces, whether by working through the two old parties, or through such third parties as the Socialists and Farmer-Laborites.

5. THE FARMER-LABOR PARTY

a) THE LAUNCHING OF THE PARTY[1]

The Labor party came to Chicago and started its convention in Carmen's Hall with six hundred delegates. These delegates could be analyzed into two main groups. One: Those from trade-unions or combinations of trade-unions. Two: Those from "Labor party branches."

It does not follow, though, that the membership of the "Labor party branches" is a political duplication of the membership of the Labor party's affiliated trade-unions. The unionist whose union has joined the Labor party may be a Republican or Democrat. And the unionist who joins a "Labor party branch" may come from a union which rejects the Labor party and all its works. The two memberships—"branch" and "union"—overlap but are not by any means the same.

All "branches"—in Illinois, at least, which is the source and center of the present Labor-party going effort—are supposed to pay regular dues at a given rate per member. So are all affiliated unions.

The delegates of the Labor party at Chicago were two-thirds of of them from Illinois and Indiana. The emphatic majority of all the delegates in the Labor party convention seemed to come directly from individual trade-union locals.

It is apparently through a conquest of individual locals that the Labor party must come—if it does come—to a conquest of the trade-union movement of America.

The United Mine Workers of America, in full national convention last year, instructed their national officers definitely to proceed to the formation of a Labor party. Nevertheless, the national officers of the United Mine Workers were not present at Chicago. Many locals of the United Mine Workers were present through delegates—sent at the expense of those locals. The rule is that the affiliated unions of the Labor party are locals of national unions, while the national officers of those same unions stand aloof with Mr. Gompers.

[1] Adapted with permission from William Hard, "Christensen, and Back of Him," *New Republic* (August 4, 1920), pp. 273–76.

In any case, however, the first fight before the Farmer-Labor party is the attempt by the Labor party element in it to convince and conquer the national trade-union organizations of the United States. The next is the attempt to strengthen and enlarge the relations which at Chicago were surprisingly favorably established with groups of farmers. The third is the vitally necessary attempt to expand the meaning of the word "Labor" and to teach a certain great mass of salaried people that only by entering into the spirit and into the body of Labor can they ever emancipate themselves brom being financially the most insulted and morally the most abject and groveling group in the community. Their circumstances do not incline them toward organization in trade-unions. The hope is entertained that their interests will lead them into harmony with the trade-unions through organization in Labor-party branches.

b) PLATFORM OF THE PARTY[1]

All power to govern this nation must be restored to the people. This involves industrial freedom, for political democracy is only an empty phrase without industrial democracy. The invisible government of the United States maintains the two old parties to confuse the voters with false issues.

1. 100 per cent Americanism: Restoration of civil liberties and American doctrines and their preservation inviolate, including free speech, free press, free assemblage, right of asylum, equal opportunity, and trial by jury.

2. Abolish Imperialism at Home and Abroad.

3. Democratic Control of industry: The right of labor to an increasing share in the responsibilities and management of industry; application of this principle to be developed in accordance with the experience of actual operation.

4. Public Ownership and Operation: Public ownership and operation, with democratic control, of all public utilities and natural resources.

5. Promotion of Agricultural Prosperity.

6. Government Finance: We are opposed to consumption taxes and to all indirect taxation. We favor steeply graduated income taxes, exempting individual incomes amounting to less than $3,000 a year. In the case of state and local governments we favor taxation of land value, but not of improvements or of equipment, and also sharply graduated taxes on inheritance.

[1] Taken with permission from the *Nation*, Vol. CXI, No. 2886 (October 27, 1920), p. 476.

7. Reduce the cost of living.
8. Justice to the Soldiers.

6. THE DEVELOPMENT OF POLITICAL ACTION AMONG THE FARMERS

a) THE NON-PARTISAN LEAGUE IN 1918[1]

Whatever personal aspiration may have entered into its inceptions or its political development, the Nonpartisan League is distinctly the product of economic grievances. The prices of the things which the North Dakota farmer had to sell were determined at Minneapolis or St. Paul, at Duluth or Chicago; the grain elevators were in outside hands, and there was discrimination in railway rates. Speculation arbitrarily depressed the prices of the only products which the farmer had to sell, and as arbitrarily raised the prices of everything that he was obliged to buy; and the farmer was helpless.

In order to emancipate the farmer and give him control of his own business, it was decided to begin the elimination of the middleman. In the election of 1914, 83 per cent of the vote was cast in support of a proposition for the establishment of state-owned terminal elevators; but the Legislature rejected the proposal. Then the farmers organized. In the June Primary of 1916 the League polled more votes than all the other parties put together; and in the fall it elected all but one of the state officers, a large majority of the House, and eighteen out of twenty-five members of the Senate. Half of the Senators held over, however, and the Senate was able to defeat the plans of the League. The next two years were spent in perfecting and extending the organization, with the result that in November, 1918, the League swept the state.

Meantime the program of reform had widened. Something more than state-owned grain elevators, it was perceived, was needed in order to eliminate the middleman; and the elimination of the middleman, even if that were accomplished, was only one of the steps in the large process of agrarian emancipation. The platform on which members of the League were elected last November [i.e., 1918] calls for state-owned terminal elevators, flour mills, and cold storage plants, with an industrial commission to supervise their operation; a state bank with a capital of $2,000,000, in which all state funds will be deposited, and which, besides doing the usual banking business, will make the

[1] Taken with permission from William McDonald, "North Dakota's Experiment." *Nation* CVII, No. 2803 (March 22, 1919), 420–21.

first-mortgage farm loans at a low rate; a state building association empowered to erect dwellings for farmers and industrial workers, payment to be made on an amortization plan; state hail insurance, a matter of peculiar importance in the prairie states; workmen's compensation, an improved initiative and referendum, and an attack upon speculative land-holding through the exemption of improvements from taxation. A series of constitutional amendments to enable the state to undertake these various public services was approved by overwhelming popular votes at the last election; the amendments have since been ratified by the Legislature; and the larger part of the legislation called for is ready on the statute book.

The League is a political organization outside of and wholly disassociated from any party or parties, yet at the same time formulating a platform, pledging to its support the candidates of any or every party who are willing to accept it, and supporting those candidates at the polls with such impartiality that the controlling majority which the League now holds in the Senate and House is in each case made up of both Republicans and Democrats. The League is an inner circle, a wheel within a wheel, a power behind the throne, ruling—and with an iron hand—through the agency of party organizations for whose political acts, as organizations, in general it disclaims responsibility and professes entire indifference.

It seems inevitable that the League, particularly now that it has existence in thirteen states and seems destined to become increasingly a national political force, should abandon its policy of indirection and assume the form as well as the substance of a national political party.

Even more suggestive than the future of the League as a party is the theory of the organization of society for political purposes which the League embodies. The League is exclusively an organization of farmers. No one who is not a bona fide farmer can be a regular member of it. That is to say, it is a class organization, and the fact that some 85 per cent of the people of North Dakota are farmers does not change its essential class character. By securing the acceptance of its programme by the organized labor forces of the state, it has united in common political action two occupational groups, but without interfering with the party cleavages which existed in each group. It stands ready to cooperate with any other group of workers—bankers, lawyers, teachers, tradesmen—that may choose to organize for political action and that is willing to accept the League's

programme. What North Dakota has, in other words, is the beginnings of a Soviet government, in which bona fide representatives of the "toiling masses" unite in the direction of affairs, but without abandoning their party differences. The fact that the Soviet idea is here applied to a commonwealth rather than to a municipality does not alter the general nature of the scheme.

b) NOVEL FEATURES OF THE LEAGUE[1]

The concrete proposals of the League do not, in fact, explain the movement. The vital thing was the creation and the existence of the organization itself. Regarded as a political party, the League is one in which every member is a contributor and to which all contribute equally. It is a party which, foregoing the conventional methods of levying large contributions on those wealthy individuals and corporations wishing to court the favor of the party and the officials whom it may select, and of making candidates pay for the offices to which they may be elected, goes directly to its ordinary membership for all its budget of expenses. It is probably the only political organization which ever adopted commercial methods of salesmanship by solicitors working on salary and commissions for enrolling its membership.

The League idea has not been merely "taken up" by the northwestern farmers. It has been "sold" to them. Practical salesmanship, a program of immediate and forceful action and the use of the Ford automobile are the factors principally explaining the rise of the Non-Partisan League. "An idea, a Ford and sixteen dollars" built the Non-Partisan League, Townley himself has said.

c) THE LEAGUE IN ECLIPSE (1921): A FRIENDLY VIEW[2]

At this writing the recall in North Dakota, directed against the Non-Partisan League state administration, appears in the main successful. Governor Frazier is recalled by a narrow margin and with him the Attorney General, William Lemke, member of the National Executive Committee of the League, and John Hagan, farmer and Commissioner of Agriculture and Labor. The initiative measures designed to repeal the industrial program of the League were however defeated.

[1] Taken with permission from H. E. Gaston, *The Non-Partisan League*, pp. 6–7. (Harcourt, Brace & Co., 1920.)

[2] Adapted with permission from article by Oliver S. Morris, Editor of the *Non-Partisan Leader* in the *Nation* (November 9, 1921), pp. 535–36.

The reasons for the overturn are not far to seek. The program of the League was prevented from being put into effect for a number of years by the opposition of "hold-over" senators, referendum elections, attacks in the courts on their constitution, and the boycotting of the state bonds by financial interests. Thus the present recall campaign found the League program in its principal parts inoperative after nearly seven years of fighting and sticking by the farmers. The farmers were discouraged and disappointed.

In the meantime the state had had repeated crop failures or near ones and the after-the-war deflation had hit the farmers first and worse than any other industry. The independents promised to give the mill and elevator projects a fair trial, and to give the state a conservative business administration which would restore state credit and prosperity.

Whatever happens to the League as such, the great farmer movement which started fifty years ago, and of which the League was one aspect will go on, modified and made more virile by the League's ideas and methods. To get office in North Dakota the Independents had to promise to give some of the main features of the League program a trial. Other parties and politicians will have to make the same promises.

7. PRESENT ARGUMENTS FOR AND AGAINST INDEPENDENT POLITICAL ACTION

a) WHY A LABOR PARTY?[1]

In the past the relation of the American laborer to his employer and his employer's business was vastly more important to him than his relations to the government. Although the state frequently interfered in industrial controversies and almost always to the disadvantage of the wage-earner, the state was not his worst enemy, nor was its friendship indispensable. The wage-earner was struggling tenaciously to maintain himself against the powerful employers' organizations and against the competition of a constantly increasing volume of European immigration. He was not strong enough to put up a political as well as an industrial fight and unless he selected his ground prudently and paid careful attention to the economic stamina of his union associates he was in danger of suffering a complete defeat. Under such conditions the American Federation of Labor

[1] Adapted with permission from an article in the *New Republic*, April 26, 1919.

may have been justified in eschewing politics and in concentrating its attention on organizing the skilled trades and fighting exclusively for the increased economic power of its own limited membership. During the last few years these conditions have changed. The American Federation of Labor is no longer the harried and almost outlawed organization that it was for so many years. The federal government recognized it during the war and asked its cooperation in organizing the production of the necessary volume of war supplies. Immigration has ceased and will not return to its former volume. The wage-earning class won a substantial increase in economic power and independence. The government interferes in all considerable industrial controversies, and this interference has only begun. When the wage-earners demand union recognition, a universal eight-hour day, a national minimum of health and security and the nationalization of the railroads and the coal mines, they are putting forth a program with political aspects whose fulfillment will depend in the end upon their ability to exercise political power.

They cannot trust the job to the Republican and Democratic parties. Both of the older parties are committed by the instinct of self-preservation to keep political and economic power in the safe custody of its present possessors. By forming a labor party they will at once clarify their own program, deposit it on the table for nation-wide and serious political discussion, and assume the responsibility of adjusting the program to that of the other economic classes. The political effort of organizing a Labor party will tend to nationalize the American labor movement. It will force the trade-unionists to seek the assistance of the unskilled workers, of the increasing body of co-operators and of the minority of brain workers who wish to share the aspirations and would like to contribute to the success of their brothers-in-labor. But above all it will force them to adjust their program to that of the discontented farmers who form such a large part of the American electorate and whose own economic grievances the political parties have so often smothered. A national Labor party which emphatically repudiates revolutionary socialism and which commits itself to an experimental program of industrial and agrarian cooperative democracy, re-enforced by democratic community organization and so far as necessary by direct trade-union action, has become a necessary and a salutary agency of American social progress.

b) THE VIEW OF THE OPPOSITION[1]

In the last few weeks in Chicago, New York City, and two or three places the labor movement has expressed itself through the central bodies in favor of the formation of a political labor party.

The purpose of my asking that we meet this afternoon is to present to you some facts upon that subject.

We had in the late 60's and early 70's a fairly growing labor movement of some trade unionists in a federation called the National Labor Union. That organization inspired activity among the workers and then called a national convention for the purpose of nominating a president of the United States. It nominated Justice Davis of the Supreme Court as its candidate for president, and then adjourned and never met again. The trade unions then fell off in membership until the organizations became very weak and ineffective. Labor was in a most deplorable condition, without opportunity for defense and robbed entirely of any power to press forward its rightful claims.

In 1885–86, after a few years of precarious early existence, the American Federation of Labor tried to build up and extend its influence and organize the workers into their unions and declared for the introduction of the eight-hour work day, May 1, 1886. The movement gained great impetus and large advantages followed, but on May 2 or 3, 1886, a bomb was thrown at a meeting which was being held at Haymarket Square, Chicago, which killed and maimed more than 20 policemen. The meeting was supposed to have been held in the interest of the eight-hour movement. The wrath of the people which was aroused against those in charge of the Haymarket meeting gave the eight-hour day a severe blow and set-back. The eight-hour movement as such was destroyed for the time being.

Due to the resentment of the workers because they had lost so much that they could have obtained and, due to certain local conditions, political rather than economic, in various cities the local movement undertook political campaigns and organized a political party in Chicago, Milwaukee, St. Louis, Boston, and New York. This resulted in the organized labor movement of New York City launching into a campaign which nominated Henry George as mayor of the city. It was my privilege to enter into that campaign to the very best of

[1] Adapted from an address by Samuel Gompers delivered in New York and published in Hearings, Committee of Education, U.S. Senate, on Senate Res., 311, January 4, 1919.

my ability. Henry George received 68,000 votes and came very near election.

After the campaign closed and the election was held, the movement took on another phase. It was called the Progressive Labor Party. They admitted to membership not only the men of organized labor but what had popularly been called by a great many the "brain with brawn" or "brain with labor." The campaign was carried on with such scandalous results that nearly all the men of labor who had some self-respect had to hold themselves in the background for fear that they might be besmirched with the incidents which occurred in the campaign.

The fact is that an independent political labor party becomes either radical, so called, or else reactionary, but it is primarily devoted to one thing, and that is vote getting. Every sail is trimmed to the getting of votes. The question of the conditions of labor, the question of the standards of labor, the question of the struggles and the sacrifices of labor to bring light into the lives and the work of the toilers—all that is subordinated to the one consideration of votes for the party.

Which movement, economic or political, in any country on the face of the globe has brought more hope and encouragement, more real advantage, to the working people than the trade-union movement of America has brought to the wage earning masses of our country?

The organization of a political labor party would simply mean the dividing of the activities and allegiance of the men and women of labor between two bodies, such as would often come in conflict.

In our movement we have done some things. There are nearly 4,000,000 of organized trade unionists in the United States.

I ask that the trade-union movement be given its fullest opportunity for growth and development so that it may be the instrumentality to secure better and better and better and constantly better conditions for the workers of our country. It is not true, as some carping critics allege, that the American Federation of Labor is a nonpolitical organization. We have secured from the Government of the United States the labor provision of the Clayton antitrust law, the declaration in the law that the labor of a human being is not a commodity or article of commerce. In that law we have secured the right of our men to exercise functions for which, under the old régime our men were brought before the bar of justice and fined or imprisoned. We have secured the eight-hour workday, not only as a basic principle but as a fact. We have secured the seamen's law, giving to the seamen

the freedom to leave their vessels when in safe harbor. The seamen of America are now free men and own themselves. We have secured a child-labor law, and although it has been declared unconstitutional, we are again at work to secure a law for the protection of our children. Our organized free existence to function and to express ourselves is now practically unquestioned.

Suppose in 1912 we had had a labor party in existence; do you think for a moment that we could have gone as the American labor movement to the other political parties and said: "We want you to inaugurate in your platform this and this declaration." If one of the parties had refused and the other party consented and took its chance, would the American Federation of Labor have been permitted to exercise that independent political and economic course if the labor party had been in existence? How long would we have had to wait for the passage of a law by Congress declaring, in practice and in principle, that the labor of a human being is not a commodity or an article of commerce—the most far-reaching declaration ever made by any government in the history of the world.

PROBLEMS

1. Why has the labor movement gone into politics in Europe?
2. How do you account for the great increase in Socialistic sentiment abroad?
3. Why did the British labor movement set up a separate labor party? What are its policies? Does it admit other than unionists?
4. What was Chartism? Why should the workmen of England who wanted social and economic reform put forward purely political demands? Why were not the demands of the Chartists granted at the time? Why have practically all since been granted? Would the Chartist leaders be surprised at the small amount of change the granting of the charter has caused?"
5. "There is a great parallelism between the British labor movement of the eighties and the American labor movement of today." What are the similarities and differences?
6. Compare the political aims and methods of the British Labor Party, the American Federation of Labor, and the American Socialist Party. To what extent do their purposes determine their methods?
7. Could the industrial wage-earners secure political control without combining with other sections of the population? Why or why not? What other sections would be most likely to combine with the industrial workers?

8. To what extent are the interests of the farmers of the country similar to those the of urban workmen and to what extent are they opposed? To what extent are the interests of the lower salaried groups common with those of the wage-earners; the small merchants, etc.? Why? Be specific.
9. To what extent is it possible for the state to be neutral in industrial disputes, as Mr. Gompers seems to want it to be? Does he really want it to be neutral? Why?
10. To what extent would the formation of a labor party "split the progressive vote" and enable the more conservative candidates to win? Would this be true under proportional representation? To what extent would the formation of such a party disrupt the unions by introducing matters upon which the members could not agree? To what extent would it draft energy from the economic struggles of labor?
11. What is the difference in the political methods of the A.F. of L. and the Non-Partisan League? Is this more effective than forming a third party? Why or why not?
12. What is the Farmer-Labor Party? How does it differ from the Socialist Party?
13. "The Farmer-Labor Party should merge with the Socialist Party." Discuss.
14. Is a labor party a "class party"? What is a class party? Are other parties class parties?
15. What have the workers to gain by political action anyway?
16. Why do the I.W.W.'s object to political action?
17. To what extent has the fact that the United States is a federal union of 48 states retarded the political efforts of labor and why? What has been the effect of the great power wielded by our courts upon these efforts and why?

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PART SIX
THE EMPLOYER'S APPROACH

INTRODUCTION

It should not be thought that the workmen have been the only group to deal with their problems in an organized way. The employers by the very fact that they superintend the conduct of industry are compelled to adopt labor policies of some sort. We do not have the space to describe here the various ways in which the employers have gone about meeting their problems but we have selected four important methods and agencies, namely employers' associations, employee representation, various methods of wage payment and scientific management, and profit-sharing. If one works thoroughly through these measures he will acquire an appreciation of the issues which face employers and the effect which the actions of the employers have in turn upon the wage-earners. Many of the questions with which employers have come increasingly to concern themselves of late years, such as the selection and training of workmen, welfare measures, experiments with hours, etc., have been necessarily omitted because of lack of space.

CHAPTER XXIV

EMPLOYERS' ASSOCIATIONS AND JOINT REPRESENTATION

A. Employers' Associations

1. THE PURPOSE OF EMPLOYERS' ASSOCIATIONS[1]

The associations exist because of the institution of private property in the means of production. The control over the equipment by the employer inevitably carries with it a degree of control over the lives of the workmen. The employer desires to maintain control over his increasing equipment, but the workmen oppose this. Concessions to the unions of workmen have not generally lessened but rather have increased their desire for ever greater control, for instance the demand for a voice in the management of the business. Their demands threaten to extend even to complete control—which means either a transfer of property from one owner to another, or the abolition of private property in productive equipment.

Without aid from fellow employers, an employer can rarely long withstand the great power of the federated unions, once it is directed against him. In bargaining ability the unions have specialists long trained in meeting every type of employer. In knowledge of wages, labor supply and demand, the union officials again have the great advantage. The great majority of "independent" employers find themselves helpless when confronted by a grafting business agent of a powerful union. In strikes, the average or ordinary employer is a novice, the union officials are experts with long and varied experience, since they spend all their time at such matters while the employer must generally devote much of his time to problems other than labor matters. The employer knows little of the tactics or strategy in the conduct of strikes—publicity, legal remedies, such as injunctions, the building up of a body of workmen not susceptible to union propaganda and similar weapons. It is this lack of knowledge and means that sometimes leads an "independent" employer verging on bankruptcy to take indiscreet steps which alienate public sympathy

[1] Adapted with permission from Clarence E. Bonnett, *Employers' Associations in the United States*, pp. 15–16, 18–20. (The Macmillan Co., 1922.)

entirely from his cause. Generally a hardfought strike results in a boycott. What can an employer alone do to withstand a nation-wide boycott? He may appeal to the courts but he must employ a counsel well-versed in such matters and pay a large fee. He must have the evidence collected, but this can be done only at great expense. Unless he does secure all this evidence for the trial, the union may convince the court and jury that no formal boycott had been declared and that the union had exercised only the "right" to inform its members that the employer had a strike on in his shop, and that there had been no conspiracy to ruin his business. He may buy peace from the unions by repeated concessions, if the concessions do not bankrupt him, especially when he has to compete with employers who are organized and so do not make concessions. He cannot successfully oppose the enactment of legislation that will adversely affect his interests, nor obtain legislation he desires. The prudent employer anticipates ultimately some labor trouble and guards against it, as best he may, by uniting with an association in his industrial field, or with a special or a general association, and perhaps with all three. Modern conditions apparently involve continual labor troubles, and so conduce to continuous organizations of employers, hence the permanent formal employers' association. When labor troubles become chronic, employers' associations become formal and permanent.

2. TYPES OF EMPLOYERS' ASSOCIATIONS[1]

The period from 1885 to 1920 may be divided into three stages: (1) the beginning of national employers' associations; (2) the development of negotiatory associations at its height; (3) the growth of belligerent associations. Certain associations may be selected for study as typical of the movement. The Stove Founders' National Defense Association has been selected as a national negotiatory organization. It is a centralized body and bargains with the International Molders' Union on a national scale, but deals with labor troubles and strikes through both district and national committees. The National Founders' Association is a national belligerent organization. It has a regular organization for combating strikes, and conducts a propaganda against closed-shop unionism in order to prevent strikes. Its powers are also centralized. The National Metal Trades Association is a close-knit federation, national in scope

[1] Adapted with permission from Clarence E. Bonnett, *Employers' Associations in the United States*, pp. 21, 32–33. (The Macmillan Co., 1922.)

and belligerent in attitude. It combats strikes largely through its branches. It seeks to prevent strikes and conducts a propaganda for this purpose. The National Erectors' Association is clearly the most belligerent national association in the United States. It makes war upon unionism from every side. The Building Trades Employers' Association of New York and the Building Construction Employers' Association of Chicago are both local federations of other associations that bargain with the unions and fight occasionally in order to carry on negotiations without making too many concessions. The former is noted for its methods of handling labor difficulties, part of the time with a General Arbitration Board. The latter association is noted especially for its "uniform form of agreement" as a means designed to reduce sympathetic strikes and other labor troubles. The United Typothetae of America presents an illustration of an organization divided against itself in labor matters with two divisions, one negotiatory, the other belligerent. It is a large national federation which, as a unit, concerns itself primarily with trade conditions in the printing industry. The American Newspaper Publishers' Association has a labor division which has standardized national trade agreements and arbitrates issues that arise under these. It is accordingly a national negotiatory body. The National Association of Manufacturers is a national centralized belligerent propaganda association, primarily engaged in opposing legislation sought by the American Federation of Labor. The National Civic Federation is a national mediatory association, made up of three groups: employers, union officials, and publicists. It attempts by means of conferences to promote amicable relations between employers and union officials. The League for Industrial Rights is a national organization that makes war upon the unions for their illegal practices. It aims to collect and disseminate information on the legal phases of the conflict and on other developments in industrial relations. The National Industrial Conference Board is a loose federation of national and state industrial associations for the investigation and discussion of vital problems as a basis for united action in combating "union fallacies" and proposals based thereon. The Associated Employers of Indianapolis is a local belligerent association which has become of national significance through its nation-wide propaganda against the closed shop, and its efforts to co-ordinate all the local open-shop employers' associations in the United States.

3. THE NATIONAL FOUNDERS' ASSOCIATION[1]

Should all efforts to adjust the difficulty fail and a strike occur, the Association usually secures workmen to operate the struck shop. The ordinary method of operation has been to employ a few good molders at the plant struck, to fill the balance of the floors with green men recruited from the locality in which the shop is located, and to have an instructor teach them molding. The Association keeps regularly in its employ under yearly contract a limited number of high-grade molders and coremakers, who work in normal times in the shops of some of the members, but in case of a strike are ready to go where the Association directs and to instruct the green hands how to do special kinds of molding. Molding machines are also installed and operated by relatively unskilled men, who are taken from other jobs in the shop, or secured through the Association's labor bureaus. This system was inaugurated in 1904, and has proven to be a highly effective method of combating strikes. This system makes it wholly unnecessary for the struck employer ever to employ any of the strikers; in fact, the usual procedure is for the employer to refuse to have any more dealings whatever with the more radical men who strike in his shop. This action contributes much to the prevention of another strike soon, as the shop is thus "cleaned" of union men. Moreover, the employer is required by his contract with the Association to maintain an open shop for one year after conditions become normal in his shop following strike.

4. THE NATIONAL METAL TRADES ASSOCIATION[2]

The National Metal Trades Association was organized in 1899 on a similar basis to that of the Stove Founders National Defense Association and the National Founders Association. It concluded an agreement with the International Association of Machinists in 1900 but trouble between the two organizations soon developed and in 1901 the agreement was abrogated and the association adopted the following set of principles to which they have ever since adhered.

"*Concerning Employees.* 1. Since we, as employers, are responsible for the work turned out by our workmen, we must have full discretion to designate the men we consider competent to perform

[1] Adapted with permission from Clarence E. Bonnett, *Employers' Associations in the United States*, pp. 74–75. (The Macmillan Co., 1922.)

[2] Prepared.

the work and to determine the conditions under which that work shall be prosecuted, the question of the competency of the men being determined solely by us. While disavowing any intention to interfere with the proper functions of labor organizations, we will not admit of any interference with the management of our business.

"*Strikes and Lockouts.* 2. This Association disapproves of strikes and lockouts in the settlement of industrial disputes. This Association will not countenance a lockout, unless all reasonable means of adjustment have failed; neither will the members of this Association deal with striking employees as a body.

"*Relations of Employees.* 3. Every workman who elects to work in a shop will be required to work peaceably and harmoniously with all his fellow employees, and to work loyally for the interests of his employer.

"*Apprentices, etc.* 4. The number of apprentices, helpers and handymen to be employed will be determined solely by the employer.

"*Methods and Wages.* 5. We will not permit employees to place any restriction on the management, methods or production of our shops, and will require a fair day's work for a fair day's pay.

"Employees will be paid by the hourly rate, by premium system, piece work or contract, as the employers may elect.

"*Freedom of Employment.* 6. It is the privilege of the employee to leave our employ whenever he sees fit, and it is the privilege of the employer to discharge any workman when he sees fit.

"*Concerning Disagreements.* 7. The above principles being absolutely essential to the successful conduct of our business, we cannot permit the operation of our business thereunder to be interfered with. In case of disagreement concerning matters not covered by the foregoing declaration and not affecting the economic integrity of the industry, we advise our members to meet such of their employees who may be affected by such disagreement and endeavor to adjust the difficulty on a fair and equitable basis.

"8. In the payment of hourly wages or in the operation of piece work, premium plan, or contract system, this Association will not countenance any conditions of wages which are not just, or which will not allow a workman a fair wage in proportion to his efficiency.

The Association lists approximately 1,000 manufacturers as members. It has twenty-four branches which are largely autonomous. Members pay dues to the Association and are also subject to special assessments. Each of the branches has an employment department

as has the national office as well. The names of tens of thousands of workmen are here listed with fairly complete data on their records.

The Association tries to prevent strikes and offers its advice and services to members for that purpose. When a strike breaks out it furnishes men and money to break it while it also supplies guards if needed. One of its pamphlets declares "that in case of labor difficulty the Association brings to your assistance and financial and technical support a personnel and an equipment trained through years of experience and many strikes." Professor Bonnett also says that it has a considerable number of under-cover men who keep it informed about union plans and policies.

One of the most notable of its recent contests with the unions was that in Cincinnati in 1920 when over one hundred plants in the machine-tool industry were involved. The five-months struggle finally resulted in a victory for the employers. One of the employers stated that "Without the assistance of the National Labor Trades Association it would have been impossible for us to have won out." On another occasion an employer wrote "without your help we could not have started our plant." The Association indeed is said by Professor Bonnett to boast that it has never lost a strike of any importance.

The Association also maintains a safety inspection department and industrial education department which offers services to its members. With the National Founders Association it edits the *Open Shop Review* and it was one of the organizers of the National Industrial Conference Board.

5. CONSTRUCTIVE SERVICES OF EMPLOYERS' ASSOCIATIONS[1]

Associations of employers do not confine themselves to dealing with or opposing the unions. Many of them also serve as agencies to secure constructive accomplishments which would be impossible for individual employers to effect. Thus the United Typothetae has developed a standard cost-finding system for the printing industry, has devised and carried out courses of apprentice training and has started schools to teach the various printing trades. Various associations have taken up the question of apprenticeship and industrial education and the influence of the National Association of Manufacturers was a potent factor toward the passage by Congress of the Smith-Hughes Act providing federal aid to the states for industrial

[1] Prepared.

education. The National Industrial Conference Board has become in the last five years one of the largest agencies for social research and has published many valuable studies. The various local chambers of commerce have collected and distributed information of considerable value to their members and have served also as a means whereby the employees and merchants might work out a common policy on numerous social and political questions.

B. Employee Representation

6. ESSENTIAL NATURE OF WORKS COUNCILS[1]

The Works Council may be described as *a form of industrial organization under which the employees of an individual establishment, through representatives chosen by and from among themselves, share collectively in the adjustment of employment conditions in that establishment.* It provides, in the individual establishment, an organized form of contact between the employer and his employees.

The institution of the Works Council obviously involves acceptance by the employer of the principle of collective dealing. Under a plan of employee representation, questions previously settled between the employer and his employees individually are handled by representatives of the employees collectively, and, moreover, on a systematic basis. Recognition of the principle of collective dealing by the employees of individual establishments with their employer forms the very basis of the Works Council. Such collective dealing is, however, distinct from "collective bargaining" in the sense of collective dealing with labor unions as organizations.

Distribution by size of establishment.—Works Councils are found in the smallest establishments and in the largest works of the big corporations of the country. The majority, however, are in establishments with a working force of over 500. The distribution of Works Councils with respect to size of establishment is shown in the following table:[2]

[1] Adapted with permission from "Works Councils in the United States," *Research Report Number 21* (October, 1919), pp. 1–2, 15, 19–21, 57, 119–20. (National Industrial Conference Board, 15 Beacon Street, Boston.)

[2] For some of the large corporations operating several works it has not been possible to obtain a record of the number of workers employed in each works. Only the grand totals for all the works operated by each such corporation can, therefore, be given. The last group in the table is wholly made up of such grand totals; the second last group contains five such corporations.

TABLE XCII

DISTRIBUTION OF WORKS COUNCILS BY SIZE OF ESTABLISHMENT

Number of Employees	Number of Establishments	Total
Less than 200	18	2,000
200 to 500	26	8,500
500 to 800	15	9,100
800 to 1,000	7	6,200
1,000 to 1,500	8	9,000
1,500 to 3,000	17	24,200
3,000 to 5,000	11	36,000
5,000 to 10,000	7	39,000
10,000 to 15,000	5	57,000
15,000 and over	8	190,400
Total	122	391,400

It further appears from the above table that the establishments covered by the first seven groups, which total 102 in number, employ only 100,000 workers. The remaining 20 establishments, in contrast, employ nearly 300,000.

Two principal types of works council.—Among the various plans of employee representation, two general types may be distinguished: (1) The "governmental" type; (2) the "committee" type.

The Governmental Type: This type of Works Council, following the patterns of the United States Government, provides for a Cabinet, Senate, and House of Representatives, or sometimes for the latter two bodies only. It is often referred to as the "Industrial Democracy" plan. Under this plan the Cabinet comprises in its membership the higher executives of the plant, the Senate is made up of foremen, and the House of Representatives consists of elected representatives of the employees.

The Committee Type: This type follows the ordinary committee form of organization, sometimes being a single committee and sometimes comprising a hierarchy of committees. The committee or committees may consist of employees alone, who confer with representatives of the management, or they may be joint committees embracing in their membership representatives of both employees and employer.

The basis of representation for these Councils is determined in a variety of ways. The employees in choosing their representatives may vote at large, by departments, floors, shops, or other natural or artificial sections of the plant, or according to crafts or occupation.

The activities of Works Councils cover a wide range. They may include (1) the social and recreational life of the workers, (2) their living and working conditions, (3) the continuity of employment, and measures for increasing productive efficiency.

Bargaining over working conditions, hours of labor and wages, has been a chief feature of the activities of most Works Councils. "Bargaining" questions are, in fact, so commonly included among the activities of Works Councils of every class that those organizations which do not include them have been designated in this report as "limited" plans.

Ultimate settlement of matters failing of adjustment by the Works Council is provided for by compulsory arbitration in only a small minority of establishments. Ultimate power of settlement rests with officials or the board of directors of the company in only a few cases. The plans in effect in a majority of the establishments make no provision for further reference after the Works Council has failed to reach an agreement. Inasmuch as in the experience of Works Councils thus far, matters have seldom reached a deadlock, the means provided for the final determination of questions have been important chiefly from the standpoint of fixing the authority possessed by the individual Works Council.

Relatively few plans qualify the right of employees to vote for members of the Works Council, other than that they must be in the employ of the company at the time of the election. A majority of the plans, however, require that employees must have certain qualifications if they are to serve as employees' representatives. The requirement most often prescribed is that they must have been in the employ of the company for a fixed period, generally one year, preceding the election. In many cases American citizenship and the attainment of the age of 21 also are stipulated. The usual term of office is one year.

7. AMERICAN EXPERIENCE WITH WORKS COUNCILS[1]

In August, 1919, there were 225 works councils in the country; by February, 1922, this number had increased to 725. Most of the "shop committees" established by the National War Labor Board, as well as those set up by the Shipbuilding Adjustment Board during the World War, have ceased to function. The explanation of this lies

[1] Adapted with permission from "Experience with Works Councils in the United States," *Research Report Number 50* (May, 1922), pp. 4–7, 9–12. (National Industrial Conference Board, Boston.)

in the fact that the committees were established in plants by order of an outside body and not through a desire on the part of employers and employees. Employers, as a rule, were opposed to this outside intervention and under such circumstances, the life of the "shop committees" could not be long.

Another major point revealed by the investigation is that usually, when a Works Council is first installed in a plant, there is a tendency for employees to use it chiefly for presenting complaints and grievances. The feature of the plan that appeals especially to the workers is the opportunity it affords of obtaining a hearing and decision in cases where they think they are suffering an injustice. In a few instances this remained the principal use which the employees made of the Works Council plan, even after it had been in operation for a year or more.

In times when wages were low and labor plentiful, the workers were naturally more concerned with retaining their jobs than with the correction of minor maladjustments in the plant and the committees lost their effectiveness even as a means for the hearing and adjustments of complaints and grievances. Moreover, the initiative in the choice of subjects with which the Works Council should deal was left entirely in the hands of the employees. When economic conditions imposed a restraint upon the readiness of employees to provide the work committees with subjects for discussion the committees became lifeless.

As the Works Council became better understood, so most employers reported, there took place a gradual decrease in the use which the employees made of the works committees for the presentation of complaints and grievances, and a corresponding increase in the interest which they manifested in general business conditions and plant efficiency.

The extent to which employees take an interest in increasing productivity efficiency appears to be directly related to the extent to which they have confidence in the fairness of management in its dealings with them, and to the degree to which they are convinced that it is to their interest that production be maintained and efficiency kept up.

An outstanding feature of the Conference Board's investigation is the fact that proposals for wage reductions or changes in work-hour schedules made by employers have, in every instance of which the Board has learned, been approved and accepted by the employee representatives on the Works Councils, when they were furnished with an explanation of the reasons necessitating such measures.

In practically every plant covered by the present investigation the effect of Works Councils upon relations between management and men was reported as beneficial. The improvement in the relations between management and men was attributed to the opportunity afforded by a Works Council for an employer and his employees to come into direct and intimate contact with each other and to learn each other's views.

Practically all employers reported that in the main very good judgment has been used by employees in their choice of representatives on Works Councils. Men with long service in the company's employ, those of sound judgment, who were fair and impartial in their decisions, those who manifested a desire to assist management in the development of mutual understanding and goodwill—such were the type of men who had mostly been elected as employee representatives. In the first place, both management and men must be in favor of an employee representation plan as a means for the adjustment of their differences and for the betterment of their industrial relations.

In the second place, it must be recognized that the machinery of any plan is but a means to an end; the desired objects will be accomplished only if there is present mutual confidence and wholehearted support by those for whose benefit the plan is established.

In the third place, one cannot fail to lay emphasis upon the importance of the manner in which a Works Council is introduced into a plant. The unanimous opinion of the Board's correspondents is to the effect that a Works Council should not be established in a plant without giving the employees a voice in its formulation. The reason given for this is the belief that in this way any suggestion of paternalism or exploitation on the part of management is avoided.

Finally, it must be realized that the employer who looks to the Works Council as a means of gaining the confidence and goodwill of his employees, cannot expect to secure these unless he gives the Works Council constant and sympathetic support.

8. EMPLOYEE REPRESENTATION PLAN FOR THE PLANTS OF SWIFT & COMPANY[1]

A. PURPOSE OF PLAN

Swift and Company desires to provide means whereby its employes may co-operate more closely with the regular plant authorities and may, when desired, meet with the Management to discuss any matters affecting their mutual relations.

[1] Adapted with permission from *Employes Representation Plan for the Plants of Swift & Company*, pp. 3–12. July 20, 1921.

The employes want to know more about the Company and its business; and Swift and Company wants to have a better understanding of the problems of the employes. This Plan aims to secure frank discussion of all difficulties and settlement through joint conference.

B. RULES UNDER THE PLAN

ARTICLE I

BASIS OF REPRESENTATION

The Basis of Representation shall be that the Employes and the Management of the Plant shall have equal representation at all times on all matters of mutual interest in about the following proportions:

Total Number Employes	One Employe and One Management Representative for Each
Over 3,000	200 Employes
1,500 to 3,000	150 Employes
750 to 1,500	100 Employes
400 to 750	75 Employes
200 to 400	40 Employes
150 to 200	30 Employes

ARTICLE II

VOTING DIVISIONS

In order that the different departments and employe interests of the Plant may be fairly represented, related departments shall be grouped into the number of Voting Divisions indicated in the published schedule for the Plant, and each Division shall be assigned one employe and one Management Representative. The Assembly shall change the Voting Divisions whenever necessary to secure complete and fair representations.

ARTICLE III

QUALIFICATIONS OF EMPLOYE VOTERS AND OF EMPLOYES' REPRESENTATIVES

1. With the exception of employes in the Superintendent's office, department foremen, sub-foremen, clerks, and any such help representing the Management, all employes on the pay roll of the plant shall be entitled to participate in the Plan and to vote for Employes' Representatives.

2. All employes eligible as Voters shall be eligible for nomination and election as Representatives provided they have worked in a department of their Voting Division for four months and for one year in the Plant immediately prior to the Election, are American citizens or have first papers, and are of legal age.

ARTICLE IV

NOMINATION AND ELECTION OF EMPLOYES' REPRESENTATIVES

1. Nominations and Elections of the persons above defined as Employes' Representatives shall be by secret ballot.

2. Nominations shall be made by taking a nominating vote in each Voting Division not more than four days before the date fixed for the election.

3. On a blank ballot the employe shall write, or may have written for him by a fellow voter, the name of the person the employe desires to nominate.

4. In each Voting Division the two persons receiving the highest number of votes shall be declared nominated.

ELECTIONS

5. Not more than four days after the nominations are posted an Election by secret ballot shall be held.

6. At the Election the candidate receiving the highest number of Votes in the Voting Division shall be declared elected a member of the Plant Assembly and shall hold office for one year; except that six months after the first election half of the Employe Representatives shall be retired. These persons shall be determined by lot immediately after the first election but shall be eligible for renomination and re-election.

ARTICLE V

APPOINTMENT OF AND CHANGES IN MANAGEMENT REPRESENTATIVES

Upon the election of Employe Representatives the Management will announce the appointment of the Management Representatives in the Assembly, whose number shall be the same as the number of Employes' Representatives. They may be chosen from any section of the Plant or Office help which has supervisory duties, and they may be changed or have vacancies filled at the discretion of the Management.

ARTICLE VI

VACANCIES IN EMPLOYES' ASSEMBLY REPRESENTATIVES

1. If any Employes' Representative leaves the service of the Plant or becomes ineligible for any of the reasons previously stated or is recalled or is absent from five consecutive meetings of the Assembly without being excused by the Assembly, his membership shall immediately cease.

2. All vacancies among the Employes' Representatives shall be promptly filled by special nomination and election conducted under the direction of the Assembly in the same manner as regular nominations and elections.

ARTICLE VII

RECALL OF EMPLOYE REPRESENTATIVES

1. If the services of any Employe Representative becomes unsatisfactory to the employes of the Voting Division from which he was elected, they may recall him if at least one-third of the Employes of the Voting Division ask in writing for his recall. A special election by secret ballot shall then be held in that Voting Division to decide whether or not such Representative shall be recalled.

2. If a majority of the employes in the Division vote in favor of recalling him then his term of office shall immediately cease.

ARTICLE VIII

THE ASSEMBLY—ITS ORGANIZATION AND POWERS

1. There shall be an Assembly meeting at the call of its Chairman and including all of the Representatives elected by the employes for the Voting Divisions indicated in the published schedule for this Plant. These Employes' Representatives shall sit jointly with an equal number of appointed Representatives of the Management, and the two shall constitute the Assembly.

2. Two persons in the employment of the Company, but not members of the Assembly and without voting power in it, shall be chosen by the Assembly as Chairman and Secretary, respectively, of the Assembly.

3. The Assembly is not vested with executive or administrative authority but may review and discuss all cases and matters referred to it by its Committees or initiated by the Employes or Management Representatives concerning the mutual interests of employes and management, and may call for any desired information or evidence.

4. The Assembly may include in such matters all cases, references or appeals relating to wages, hours, safety, buildings, plant equipment, sanitation, restaurants, dressing rooms, and like matters.

5. When any decision of the Assembly, calling for action, obtains a two-thirds vote it shall be filed with the Management and shall have a binding effect on both Employer and Employes, unless within fourteen days the Board of Directors of the Company or the Employes' Representatives request the Assembly to reopen the matter for further consideration.

6. When after such reconsideration in the Assembly it is deemed impossible to arrive at a collective agreement by joint conference on any one issue, the management and the employes are at liberty to take such action outside of the Plan as they may think desirable. But such action will not of itself terminate the general use of the Plan, which shall continue in full force so long as it is desired by Employer and Employe.

7. A majority of the Employes' Representatives, together with a majority of the Management Representatives, shall constitute a quorum; but at all meetings the voting power of the two shall be equal.

8. The Assembly shall hold regular meetings at times fixed by it. Special meetings may be called on the authority of the Chairman.

9. The Company shall provide at its expense suitable meeting places for the Assembly, its Committees and sub-committees.

10. Employes serving as members of the Assembly shall receive their regular pay from their Employer during such absence from work as this service actually requires.

11. The Assembly may prepare and distribute to the employes reports of its proceedings, and the expense thereof shall be borne by the Employer.

12. The Rules governing this Plan may be amended by a two-thirds vote of the Assembly and the approval of the Management, notice of such proposed amendment having been given not less than four weeks and not more than six weeks before the amendment is voted upon.

ARTICLE IX

COMMITTEES OF THE ASSEMBLY—THEIR ORGANIZATION AND POWERS

1. There shall be three Standing Committees of the Assembly: (*a*) on Assembly Procedure and Elections, (*b*) on Interpretations and for Adjustment of Disputed Plant Rulings, (*c*) on Changes in Working Conditions. The Assembly may appoint also additional Committees.

2. Each Assembly Committee shall consist of equal numbers of Employes' and Management Representatives who shall elect a Chairman and a Secretary.

3. All action by a Committee shall be based upon the unanimous vote of those present. Upon failure of a Committee to agree on any matter referred to it, the Secretary of the Committee shall prepare a full statement of the facts and shall send it to the Secretary of the Assembly for review and decision.

ARTICLE X

RULES FOR USING THE COMMITTEES

A. Committee on Assembly Procedure and Elections

1. After the first nominations and elections herein otherwise provided for, the Standing Committee of the Assembly on Procedure and Elections shall handle all such matters, viz.: arranging details of nominations, supervising elections, providing tellers and certifying successful candidates to the Assembly and to the Management.

B. Committee on Interpretations and for Adjustment of Disputed Plant Rulings

1. The course to be followed in the settlement of any employe's complaint or that of any group of employes shall be as follows:

In no one case shall the Committee act until the regular plant authorities have been given an opportunity by the aggrieved party or parties to hear and adjust the issue.

2. Where satisfaction is not obtained through the regular plant authorities, the employe or employes concerned may take the matter up with their elected Voting Division Representative who shall consult with the appointed Management Representative for the Division, and these, though without power to render a decision shall together seek to effect a settlement by mutual agreement of the parties.

3. Failing a settlement by mutual agreement at the first stage, the joint Representatives for the Division concerned shall send the case for a decision to the Committee on Plant Rulings for their Section of the Plant, and failing a unanimous decision by the Sub-Committee, the case shall go to the Main Committee on Disputed Plant Rulings whose decision, if unanimous, shall be final; otherwise, the matter shall go to the Assembly for its action.

C. Committee on Changes in Working Conditions

1. All proposals to make any change in existing working conditions on the Plant, such as wages, hours, safety, sanitation, or involving buildings, equipment, facilities, or other conditions of interest to employes, shall be referred to this Committee, and it shall be the duty of this Committee to investigate, discuss, and make recommendations on such matters as involve policies or plans affecting future working arrangements; but the Committee shall in no case pass upon individual cases or make binding decisions.

2. The Committee shall submit all of its recommendations and reports on its investigations to the Assembly for further discussion and for its approval or rejection, and it may have the subject re-committed to it at the discretion of the Assembly.

ARTICLE XI

PROCEDURE FOR FIRST NOMINATIONS AND FIRST ELECTIONS

1. In order to provide for first elections of Representatives the President of the Company shall appoint three Representatives of the Management, and the Plant Superintendent shall appoint three Representatives of the Employes to serve on a temporary Joint Committee for the above purpose. This Committee shall exercise all the powers and perform all the duties of the Standing Committee on Procedure and Elections until that Committee is appointed at the first meeting of the Assembly.

ARTICLES XII AND XIII

INDEPENDENCE OF ACTION AND NO DISCRIMINATION

Neither the Company nor the Employes shall discriminate against any Representative on account of any position taken while discharging his duties as such Representative. No favor or prejudice may be shown either by the employes towards any employe in the matter of voting or in any other matter by reason of the employe's race, religious creed, political belief, membership or non-membership in any labor union or other organization.

ARTICLES XIV AND XV

1. When any matter is under consideration by a Plant Assembly or by Plant Assemblies which jointly concerns a number of the plants of the Company, the President may, at his discretion, call to Chicago or such other center as is deemed best, at the expense of the Company, two Employes' Representatives selected by their side of the Assembly and two Management Representatives similarly selected, from the Assembly of each Plant involved, and these shall constitute a temporary General Assembly for consideration of the matter or matters and arrival at a decision in Joint Conference.

2. The Chairman of a General Assembly shall be the President of the Company or an officer of the Company designated by him. The General Assembly shall develop its own Rules and Procedure, and it shall have all the privileges of a Plant Assembly in calling for information and evidence and in making investigations.

9. SHOP COMMITTEES: SUBSTITUTE FOR, OR SUPPLEMENT TO, TRADE UNIONS?[1]

Many who are ignorant of the continental experience with shop committees are acquainted with the Whitley Councils of England, and believe the American shop-committee system to be similar.

[1] By Paul H. Douglas, *Journal of Political Economy*, XXIX (1921), 89–107.

The two plans differ however in the following basic respects: (1) The American shop-committee system is confined to individual plants, or at most to the plants of one employer, whereas the Whitley system provides for district and national councils for each industry, and indeed in practice has placed greater emphasis upon them than upon the formation of local works councils. (2) Whereas the overwhelming majority of American shop committees are not in any way affiliated or connected with the trades-unions as such; in England the trades-unions are recognized as the spokesmen of labor and select their representatives to meet the representatives of the employers. Stated more simply the shop-committee system in America has grown up outside the unions, while the Whitley system is based upon them.

There can be but little doubt that the recent enthusiasm for shop committees on the part of the employers has been due to their belief that there was a ready substitute for the unions. They were thus enabled to admit the principle of collective bargaining, which was becoming accepted by the public as equitable and necessary, and yet avoid the necessity of dealing with the unions. This attitude was clearly manifested in the President's First Industrial Conference of 1919 when the representatives of the employers insisted that the unit of collective bargaining should be the shop stating that "the establishment rather than the industry as a whole or any branch of it should, as far as practicable, be considered as the unit of production and mutual interest on the part of employer and employee." In the Canadian Industrial Conference the employers took a similar attitude and argued that they "should not be required to negotiate except directly, with their own employees."

It is most significant and indeed practically conclusive that the vast majority of shop committees are in plants that have been operating on the non-union shop basis.

There are many grave defects in most of the existing plans which while not proving that a system purged of these faults would be undesirable, do indicate that the workmen will not accept them in their present form at least. Among these defects are: (1) In many cases the employer control or influence the election of committeemen. (2) The function of many committees is limited to non-vital matters. (3) The control in the committees' decisions is frequently held by the employers. (4) In many cases the decision of the joint committee is not final but must be approved by the management before taking effect. (5) The qualifications for voting and holding office are such as to debar a large number of employees. (6) Shop committeemen

are frequently prevented from pleading the case of the workmen strongly because of their fear of being discharged or discriminated against.

Careful analysis of the situation will show that even a model shop committee is inherently not as effective a bargaining agency as the unions and hence from the standpoint of the workmen cannot be an adequate substitute.

1. Since it is limited to one shop or to the employees of one concern, it does not protect the "fair" employer from the "nibbling of competition" and the underbidding of the meanest man. It is thus likely to drag the conditions of labor down to the level of the conditions granted by the meanest man.

2. Since under the shop-committee system employers treat only with their own men, the workmen are deprived of expert outside advice in putting their case and conducting their negotiations. The modern wage contract needs a great deal of skill in negotiating. The owners of a concern hire skilled experts to represent them. The general manager, the personnel expert, the industrial engineers, and the lawyer are all the hired outside representatives of the shareholders. It is only fair therefore that the workers should be allowed outside representatives as well. Men who work with their hands all day are seldom capable of driving as good a bargain as a skilled and shrewd negotiator. The union business agent or "walking delegate" is this expert negotiator for the workmen and, despite his many faults, performs on the whole exceedingly valuable functions for those whom he represents. Indeed it might be said that the union is in part a device whereby individual workmen are able to pool small amounts and hire a professional expert to represent them. This opportunity the shop committee virtually denies them.

3. It does not furnish the instrumentality which the unions do provide for the enactment of labor laws to better the conditions of labor. The labor question cannot be settled on the economic field alone. Protective legislation has been found necessary to protect men as well as women from the effects of unrestricted competition. Such legislation is generally opposed by the organized employers and its passage and subsequent enforcement depends largely upon the efforts of labor itself, together with that of the independent humanitarian groups. The unions, representing as they do a wide constituency, are enabled to apply considerable measure of pressure for these purposes which unconnected shop committees would be totally unable to muster.

4. Save in a very large plant, the shop-committee system cannot afford the protection against sickness and unemployment that the union with its insurance funds, drawn from a wide area, can offer.

5. In the event that it became necessary for the workmen of a given plant or company operating under the shop-committee system to put pressure upon the employer to compel the acceptance of a demand, they would be in a very weak position to enforce their claim. Should they collectively leave work, they would not have the moral or financial backing of their fellow-workers in other plants. They could not secure strike benefits to assist them, nor would other workers aid them by putting pressure upon the employer to accede to their requests.

It may well be asked whether a federation of shop committees and the creation of a council for the industry as a whole, outside the existing unions, is not an adequate substitute for the unions. Such is the plan of organization of the Loyal Legion of Loggers and Lumbermen, which has been functioning in the lumber industry of the Pacific Northwest for the last three years, and it is evidently some such plan that Mr. W. L. Mackenzie-King regards as a possible solution. This method would enable a minimum scale of wages and working conditions to be set for the industry as a whole, and would consequently protect individual employers against the competition of their fellows. It would therefore be a vast improvement upon the unco-ordinated shop-committee system. Is it then a substitute for the unions?

In the first place, it may be remarked that such a plan of organization would be a union of a sort. It is not necessary for an organization to have the cachet of the American Federation of Labor to be a union. Secondly, the question whether it would be preferable to the existing type of union would depend upon the opportunities granted the workmen under it. If both the rank and file of the workers and their representatives on the shop committees and on the industrial council were allowed to meet separately from the employers; if the organizations of the various industries were allowed to federate; if each body were allowed to accumulate funds for insurance and unemployment and to assist the workers in other shops or industries if they believed them to be in the right; if the workers through their organizations were permitted to present their program of legislation to legislative bodies; if they were allowed to hire experts from without a plant or industry who would not be dependent upon the employers for their jobs; if all these conditions existed, then such a system would be a sufficient protection to the workman. It is extremely

doubtful, however, whether the great mass of employers, in their present frame of mind, would allow such freedom to the workers.

If the valuable possibilities of the shop committee are to be preserved, it must be clearly envisaged that it is to be as a supplement to the unions and not as a substitute for them.

What then are the functions which the shop committee can perform, once the union has been recognized as the body with which the collective bargain is to be made?

1. It would furnish an excellent instrumentality for applying and interpreting the terms of the labor agreement made with the unions and would enable grievances to be settled with a minimum of friction. Any labor agreement necessarily creates vexatious problems of administration, such as the correct classification of workmen into trades, the interpretation of overtime, the determination as to whether discharges are made for cause or for union membership or activity, the enforcement of rules as to piece-rates, hourly wages, etc. Ordinarily these adjustments are made in behalf of the men by the business agent who is generally ignorant of the details of plant administration and, however excellent as a combative negotiator of the original contract, is seldom tactful in bringing grievances to the attention of the management. In a large percentage of the cases he interferes with and impedes production unnecessarily in his attempt to settle grievances. Indeed, much of the opposition to unions on the part of the employers is due not so much to fundamental opposition to the principle of collective bargaining, as to their fear of a "walking delegate" interfering unnecessarily with the operation of their plants.

2. It would permit workers and employers to meet on a common ground and understand each other. The representatives of both groups can meet face to face in discussion over common problems. From this meeting a better mutual attitude is almost invariably created than would be secured by dealing only through intermediaries.

3. It would enlist the workers' interest in production to a much greater extent than at present and would make the plant more efficient. Once protected by the collective bargain, workmen can be brought to realize that the greater the production the higher will be their real wages.

4. It would train the worker in the real problems of industry and would acquaint him with the actual conditions of affairs. Just as the ballot leads citizens to become more interested in political matters, so would the very act of industrial suffrage cause the workers to take a more intelligent interest in the affairs of the workshop. Industry would thus become educative in a real sense, turning out better men as well as more goods. With the increased knowledge of actual conditions, impossible demands upon the part of the workmen would become less frequent.

5. It would lay the basis for a more effective organization of the workers, with the plant as the unit of organization rather than the present heterogeneous local. If the workshop is used as the basic local, there will be a better attendance at meetings and more interest in union affairs.

PROBLEMS

1. Why has so little been written in the past about employers' associations in comparison with the great volume of material about labor unions?
2. What classes compose the various chambers of commerce? To what extent are these common interests joining them together? Are such organizations adapted for negotiating with the unions; for combating them? Why? For what purposes are the state and national manufacturers' associations organized? the local "associated industries"? Compare their functions with those employers' associations which are organized on trade or industrial lines.
3. Did employers' associations precede organization of unions or follow the latter as a defensive measure (consult Bonnett, *Employer's Associations in the United States*).
4. Is the individual employer so helpless before a federated union as Professor Bonnett seems to believe and why?
5. To what extent does the attempt by labor to negotiate city-wide, section-wide, and in some cases nation-wide standard agreements necessarily bring about the organization of employers' associations and why? If you were a labor unionist, would you welcome or regret the creation of such associations and why? If you were a labor official?
6. Are the agreements of an employers' association with unions binding upon its members? Why or why not? The closed-shop division of the United Typothetae (employing printers) agreed in 1919 that the forty-four-hour week should be introduced in 1921. As that time approached, large numbers of printing firms resigned from the closed-shops division and organized to oppose the forty-four-hour week. Were they legally justified? Were they morally justified? Were such actions common, could the unions continue to deal with the employers' associations?

7. Enumerate some of the methods used by belligerent employers' associations? To what extent do they parallel methods used by the unions and to what extent are they singular to the employers? Describe resemblances between the organization of both sides and the preparation of nations for war?
8. If a trade is tied up by a strike, to what extent will employers (*a*) in the same city, (*b*) in other cities, be likely to sign contracts with the union in order to receive the business formerly possessed by those employers whose men are still out? Would the employers be more likely to do this than the union members to go to work in "scab" shops? Give your answer after consideration for the following industries: (*a*) men's clothing, (*b*) iron and steel, (*c*) railroads, (*d*) printing.
9. What is the difference between a shop committee and a union?
10. Why have employers taken the initiative in introducing shop committees in this country?
11. "The establishment, rather than the industry as a whole or any branch of it, should be considered as the unit of production and mutual interest on the part of employer and employee." Do you agree or disagree and why?
12. Analyze the shop committee plan of Swift and Company as regards (*a*) composition, (*b*) functions, (*c*) method of decision, and evaluate each. To what extent do you think the workmen are protected by the plan and how?
13. "Ultimate settlement of matters failing of adjustments by the works council is provided for by compulsory arbitration in only a small minority of establishments. Ultimate power of settlement rests with officials or the board of directors of the company in only a minority of establishments." Just what is the significance of this?
14. Under the shop committee system the workmen strike only in the rarest cases. What does this prove?
15. "Employers who are almost universally organized into various forms of employers' associations which link up the various concerns within industries and between industries cannot consistently demand that the workmen should not be organized in a unit larger than the shop or concern." Do you agree or disagree and why?
16. "It is impossible to prevent overt or tacit pressure upon the workmen by the management to elect only conservative men to the committee." Do you agree? Why?
17. "Under the shop committee system the representatives of the workmen do not dare to plead the cause of the men as they would if they had the consciousness of an outside organization supporting them." How can this be so? Cannot a sincere employee prevent this?
18. "If a firm is a 'good' employer both workmen and management will profit more by a shop committee than by a union." Why or why not?

19. "With our ever-widening market, the unit of labor organization must expand equally in order to maintain basic standards everywhere and to protect those already in its folds. To propose a return to the shop as the final unit of labor organization is, therefore, as much of an anachronism as to propose that our industrial system should return to the period of land self-sufficiency." Explain.
20. In what ways can the shop committee system be used as an agency to increase production? Be specific.
21. In what ways could the shop-committee system be used to supplement trade unionism? What transformation in trade union structure would this require and what changes in policy would it likely cause? Is it likely to occur? Why or why not?

CHAPTER XXV

METHODS OF WAGE PAYMENT AND PROFIT-SHARING

A. Methods of Wage Payment and Scientific Management

1. THE DIFFERENT VARIETIES OF WAGE PAYMENT[1]

The two leading forms of Industrial Remuneration under the wage-system are time-wages and piece-wages.

Intermediate between these principal forms stands that known as task-wage; while supplemental to these two main methods we find those various systems which will here be designated by the name of progressive wages.

The employee engaged on time-wage sells to his employer the labour which he shall perform within a given period, irrespective of the amount of labour performed within that period.

The employee engaged on piece-wage sells to his employer a specified amount of labour, irrespective of the time occupied by the performance of that labour.

The employee engaged on task-wage sells to his employer the labour which he shall perform within a given period, with an express agreement on the part of the workman to perform within that period not less than a specified *minimum* amount of labour.

Under the method of progressive wages the employee receives a promise that, if his labour shall exhibit a specified degree of efficiency, he shall obtain, in addition to his fixed time-wage or piece-wage, a further remuneration, here called a premium.

One matter of importance in relation to wages is the distinction between wages paid to a single worker, in respect of his individual labour alone, and wages paid as the collective remuneration of the combined labour of a group of workmen.

The lump sum paid in respect of the group may be apportioned among its members by their employer by allotting to each a specified

[1] Adapted with permission from David F. Schloss, *Methods of Industrial Remuneration*, pp. 11, 12, second edition. (Williams and Norgate, 14 Henrietta Street, Covent Garden, London, 1894.)

share in this aggregate amount: I call this "collective task-wage," or "collective piece-wage," or "collective progressive wages," as the case may be.

Or this lump sum may be apportioned by the employer between the group by, first, deducting the time-wages of the subordinate members, and then paying to the principal member or members, out of the balance thus left, a piece-work remuneration, the amount of which varies directly with the rate of speed in working maintained by the group. Work done under this method will here be spoken of as "contract work."

Or this lump sum may be apportioned amongst the members of the group in such proportions as they, at their own discretion, shall determine. Work performed under this method I call "co-operative work."

2. THE COMMON BASIS OF TIME AND PIECE WAGE[1]

Time-wage very often has a recognised piece-basis, the remuneration received by the operative being fixed with a distinct relation, tacit or expressed, to the amount of the labour, which he performs within the period in respect of which that remuneration is received. On the one hand, the employer nearly always discharges all operatives who do not work at a certain *minimum* rate of speed; on the other, the operatives always object to working at a rate of speed incompatible with their reasonable well-being, and, in many trades, fix a certain *maximum* speed, which they, upon one ground or another, decline to exceed. . . . . In the same manner all forms of piece-wage virtually rest upon a time-basis. In short, a rate of wages, whether piece-wages, or time-wages, will on analysis be found to be fixed with reference to what is here called the standard of remuneration; that is to say, with reference to the amount of money which employer and employee alike expect an operative working at a certain rate of speed to be able to earn within a given period.

Two points must never be lost sight of: one is the amount of work which an operative of average capacity, working with such degree of exertion as the average workman is willing to exercise, is able to produce within a given period; the other is the amount of money or money's worth which the average operative requires in order to provide himself and his family with the average amount of commodities and

[1] Adapted with permission from David F. Schloss, *Methods of Industrial Remuneration*, pp. 13, 21, 23, second edition. (Williams and Norgate, 14 Henrietta Street, Covent Garden, London, 1894.)

comforts (including the comfort of saving for a rainy day) accepted by the men of his class as their "standard of comfort." Speaking with approximate accuracy—accuracy sufficient for our present object—we may say, that, if the men in any trade are willing to labour for x hours in a week and to produce work to the amount of y per hour, and if the amount of money required to obtain the annual accepted *quantum* of commodities and comforts be z, then, if we suppose that the men in this trade can reckon upon being employed continuously throughout the year, the amount of work which can be bought for z, whether from an operative employed on time-wage or from an operative employed on piece-wage, will be $52xy$.

Such being the general nature of the considerations, which determine the standard of remuneration in each case, the point now occupying our attention—the time-basis of piece-wage—may be illustrated by a concrete example taken from a trade in which work of an identical nature is done in some instances on time-wage, in others on piece-wage—the printing trade. Under the scale of wages agreed upon between the employers and the Trade Union in London, the remuneration of compositors employed on time-wage is fixed at 38*s*. per week of fifty-four hours, say, 8½*d*. per hour. Now, the quantity of type of the description known as "nonpareil," which a compositor is able, and is expected, to set up in one hour, is one "thousand." Accordingly, when we turn to the piece-wage prices, we find that an exact relation exists between these prices and the standard time-wage, for the remuneration specified by the scale for setting up nonpareil type is 8½*d*. per thousand. Here it is clear that, whether the work is done on time-wage or on piece-wage, "sixpenny-worth of work" is in either case the setting up of twelve-seventeenths of one thousand nonpareil; in other words, the rates of time-wage in this trade are seen to be both fixed with reference to the same standard of remuneration.

3. THE FACTORS OPERATING FOR AND AGAINST PIECE RATES[1]

The causes leading to the adoption of payment by results are various. We hear most nowadays in this connection of the need for increasing output and making the most of our industrial plant; and, from the manufacturer's point of view, this need becomes increasingly urgent as the machinery used becomes more complicated and more

[1] Adapted with permission from G. D. H. Cole, *The Payment of Wages*, "Trade Union Series No. 5," pp. 15, 16, 17, 18. (Fabian Research Department, 25 Tothill Street, Westminster.)

expensive. This, however, has not been in the past by any means the only cause. The Trade Union standard rate is continually attacked by employers and economists on the ground that it tends to ensure the same remuneration to the less capable and to the "slacker" as to the more capable or more energetic workers.

On the other hand, in some cases payment by results is opposed by employers and workers on other grounds. The employer may hold that he can get better results out of his workers by paying more for supervision and driving them hard than by increasing his direct wages bill. In short, he may hope to get, and in some cases may actually get, piece-work intensity for time wages. Secondly, the employer may have a better motive. Quality may count for much in his work, and he may hold that the adoption of payment by results will lead to a deterioration in the quality of the product.

To these human considerations many others must be added. One of the main determining factors under any system of payment by results is the degree in which a given amount of effort or skill can be relied upon to produce a given result. This is naturally the case roughly in proportion as the products, the processes, and the machinery used are standardised. A worker producing a standard product by a standard process on a standard machine will differ in productivity from another worker on the same job according to the effort used, and the skill or dexterity with which that effort is applied. Payment according to production, therefore, will in such a case mean payment according to the productive value of the worker, and will therefore so far conform to the individualist standard of justice.

Even where the material factors are less uniform, but the product is absolutely a standard product, readily measurable in quantitative terms, there will be a strong tendency to adopt payment by results; for here, too, favouritism or ill-luck, apart from good and bad conditions, will be likely to "average out," fairly over a period of time.

Thirdly, where there is not even this rough accuracy, and where the product is not so readily measurable in purely quantitative terms, the conditions may be such as to encourage the adoption of payment by results. If the overhead charges or "oncost" of an industrial process are very high, and a considerable saving can be effected by getting a bigger production from the machine, it may pay the employer to offer what seem to be generous terms in order to secure greater production.

Fourthly, even where none of the above conditions is present in a high degree, the continuance of a system of payment by results

may be made easy by the existence of a well-organized system of collective bargaining about piece-work prices or basis-time allowance, under which the difficulties and abnormalities arising under the system are constantly corrected and adjusted by organised effort on both sides.

It is clear that, even in industries in which some of the above conditions exist, the workmen's objection to piece-work is upheld largely by the absence of any satisfactory method of safeguarding piece-work prices. An unregulated system of payment by results, under which the employer or his foremen fix and readjust prices for successive jobs at their own sweet will, is certainly the worst possible system of payment for all except the few most rapid and dexterous workers. Employers would probably have encountered far less resistance to their efforts to establish payments by results had they not so often attempted to introduce it in this form, and thus to use it as a method of defeating collective bargaining.

4. THE HALSEY PREMIUM PLAN[1]

Halsey's constructive plan is a scheme by which he proposes to so alter the piece-work system that it will never be necessary under any circumstances to cut the rates. His method consists in first determining the time which the men have been taking to do their work, and then announcing that if they will finish it more quickly,

TABLE XCIII

THE PREMIUM PLAN

Output (10-hour day) (Pieces)	Time Saved (Hours)	Premium	Day Rate	Total Earnings	Labor Cost per Piece
10	0	$0.00	+$3.00 =	$3.00	.30
15	5	0.50	+ 3.00 =	3.50	.233
20	10	1.00	+ 3.00 =	4.00	.20
25	15	1.50	+ 3.00 =	4.50	.18
30	20	2.00	+ 3.00 =	5.00	.167

they will be given, in addition to their old day rate, a new premium rate of so much an hour for the *time saved*. This premium rate is always less than the day rate. The premium rate is usually about one-third of the day rate; and this fact makes the premium system different from straight piece-work. In the following tables, the day rate is fixed at 30c. and the premium rate at 10c. Note that the

[1] Adapted with permission from Horace Bookwalter Drury, *Scientific Management*, pp. 43–51. ("Columbia University Studies," Vol. LXV, 1915. Longmans, Green & Co., Agents.)

rate of increase in total earnings is low as compared with the rate of increase in output.

5. A SCIENTIFIC MANAGEMENT WAGE PLAN: THE TAYLOR DIFFERENTIAL PIECE RATE[1]

The means which the writer has found to be the most effective in obtaining the maximum output is the differential piece-rate system. This consists briefly in paying a higher price per piece if the work is done in the shortest possible time and without imperfections than is paid if the work takes a longer time or is imperfectly done. To illustrate: suppose 20 units to be the largest amount of work of a certain kind that can be done in a day. Under the differential piece rate system, if he finishes this number he receives 15 cents a piece, making his pay for the day $3.00. If, however, he turns out only 19 pieces he would get only 12 cents per piece, making his pay for the day $2.28.

The first case in which a differential rate was applied during the year 1884 furnishes a good illustration of what can be accomplished by it. A standard steel forging, many thousands of which are used each year, had for several years been turned at the rate of from four to five per day under the ordinary system of piece work, 50 cents per piece being the price paid for the work. After analyzing the job, and determining the shortest time required to do each of the elementary operations of which it was composed, and then summing up the total, the writer became convinced that it was possible to turn out ten pieces a day.

In place of the 50 cent rate that they had been paid before, the men were given 35 cents per piece when they turned them at the speed of 10 per day; and when they produced less than ten they received only 25 cents per piece.

It took considerable trouble to induce the men to turn at this high speed, since they did not at first fully appreciate that it was the intention of the firm to allow them to earn permanently at the rate of $3.50 per day. But from the day they first turned ten pieces to the present time, a period of more then ten years, the men who understood their work have scarcely failed a single day to turn at this rate. Throughout that time until the beginning of the recent fall in the scale of wages throughout the country, the rate was not cut.

The following table will show the economy of paying high wages under the differential rate in doing the foregoing job:

[1] Adapted from F. W. Taylor, A Piece Rate System, pp. 112–13; 122–24. (Studies American Economic Association, Vol. I, 1896.)

COST OF PRODUCTION PER LATHE PER DAY

ORDINARY SYSTEM OF PIECE WORK		DIFFERENTIAL RATE SYSTEM	
Man's wages	$2.50	Man's wages	$3.50
Machine cost	3.37	Machine cost	3.37
Total cost per day	$5.87	Total cost per day	$6.87
5 pieces produced:		10 pieces produced:	
Cost per piece	$1.17	Cost per piece	$0.69

6. THE GANTT SYSTEM OF TASK WORK WITH BONUS[1]

Not being ready to introduce the differential piece-rate system, which was regarded as the ideal one for obtaining a maximum output, I felt that we should not wait for perfection, but should offer the workmen additional pay in some manner that would not interfere with the ultimate adoption of the differential piece-rate system. Accordingly, I suggested that we pay a bonus of 50 cents to each workman who did in any day all the work called for on his instruction card. This was adopted at once; the superintendent of the machine shop suggested that we should also pay the gang boss a bonus each day for each of his men that earned his bonus. This was also approved, and both plans were ordered to be put into execution as promptly as possible.

The plan as started at Bethlehem of paying a fixed bonus for performing the task had one element of weakness, namely, that after the men had earned their bonus there was no further incentive to them. It was some time before I devised a satisfactory method for adding such an incentive, which was finally accomplished by paying the workman for the time allowed *plus a percentage of that time.*

For instance, if the time allowed for a task is three hours, the workman who performs it in three hours or less is given four hours' pay. He thus has an incentive to do as much work as possible. If the workman fails to perform the task within the time limit he gets his day rate. The time allowed plus the bonus is the equivalent of a piece-rate; hence we have piece-work for the skilled and day work for the unskilled.

One other feature of this work at Bethlehem had a most important effect on the result—namely, that in addition to the bonus paid the foreman for each man under him who made bonus, a further bonus

[1] Adapted with permission from H. L. Gantt, *Work, Wages, and Profits*, pp. 107, 114–15, second edition, revised and enlarged. (Engineering Magazine Co., 1919.)

was paid if *all* made bonus. For instance, a foreman having ten men under him would get ten cents each, or 90 cents total, if nine of his men made bonus; but 15 cents each, or $1.50 total, if all ten made bonus. The additional 60 cents for bringing the inferior workmen up to the standard made him devote his energies to those men who most needed them.

This is the first recorded attempt to make it to the financial interest of the foreman to teach the individual worker, and the importance of it cannot be over-estimated, for it changes the foreman from a driver of his men to their friend and helper.

7. THE EMERSON EFFICIENCY WAGE[1]

The aim of the Emerson Bonus System is to make an easy and gradual transition from day rate to efficiency reward.

In this system the man is guaranteed his day rate and is paid a bonus for efficiency, but the bonus instead of starting when the standard, or 100 per cent efficiency, is attained, starts at 66.6 per cent efficiency, thereby rewarding the effort to attain the standard as well as paying a high bonus for high efficiency. From 66.6 per cent to 100 per cent efficiency he receives his hourly rate for the time worked and an increasing bonus. For efficiencies above 100 per cent he receives his hourly rate for the time worked and a bonus consisting of two parts—first, the full hourly rate for all the time saved, and second, 20 per cent of the wages for the time worked.

An employer can well afford to pay a large bonus; he can well give the total wages saved as bonus and derive his own benefit from the increased output of the plant and the greatly reduced overhead. It is for this reason that for efficiencies above 100 per cent the worker is given as a bonus his hourly rate for all the time he saves in addition to 20 per cent on the wages for the time he works.

At 66.7 per cent efficiency the worker will receive:

His day rate for 6 hours worked..... $1.20
(Which is at the rate of $0.20 per hour.)

At 100 per cent efficiency he will receive:

His day rate for 4 hours worked..... $0.80
20 per cent bonus on 4 hours worked.... 0.16
Total..... $0.96
(Which is at the rate of $0.24 per hour.)

[1] Adapted with permission from *A Comparative Study of Wage and Bonus Systems*, pp. 21–23, 25–28. (Emerson Co., 30 Church Street, New York City Copyright, 1912.)

At 200 per cent efficiency he will receive:

His day rate for 2 hours worked.....	$0.40
His day rate for 2 hours saved.....	0.40
20 per cent bonus on 2 hours worked....	0.08
Total.....	$0.88

(Which is at the rate of $0.44 per hour.)

The payment of bonus for individual jobs leads, however, to various difficulties. What is wanted is a man who averages well, not one of spurts and jumps. By the use of averages a time longer than one and a half of standard, that is, less than 66.7 per cent efficiency, is penalized; under the individual job system it is not.

It is also much easier to calculate efficiencies and rewards for all the operations for a period than for each one separately, and clerical expense and effort should be avoided as much as possible.

Finally, a much better conception of a man's ability is obtained from a record of weekly or monthly averages than from a list of several hundred individual job efficiency records fluctuating from 30 to 100 per cent.

Bonus on wage rate enables the man who is keenly alert or the one who is specially adapted to his work to bring his pay considerably above standard wages. A man who belongs in the 120 per cent class may thus earn regularly 40 per cent higher pay and without any more effort (perhaps not as much) than the 60 per cent worker.

8. A COMPARISON OF BONUS PLANS OF WAGE PAYMENT[1]

TABLE XCIV

COMPARISON OF BONUS SYSTEMS

A. THE HALSEY PLAN. EXAMPLE: WAGE 60 CENTS. STANDARD PRODUCTION ONE UNIT PER HOUR

Hours				Compensation					Labor Cost			
Standard	Actual	Time Saved	Percentage Saved	Time Wages	Bonus	Total Wage	Earnings Per Hour	Percentage Increase	Units Made	Wage Cost	Unit Cost	Percentage Decrease
10	10	0	0	6.00	0	6.00	.60	0	10	6.00	.60	0
10	9	1	10	5.40	.30	5.70	.633	5.5	10	5.70	.57	5
10	8	2	20	4.80	.60	5.40	.675	12.5	10	5.40	.54	10
10	7	3	30	4.20	.90	5.10	.728	21	10	5.10	.51	15
10	6	4	40	3.60	1.20	4.80	.80	33.3	10	4.80	.48	20
10	5	5	50	3.00	1.50	4.50	.90	50	10	4.50	.45	25

B. THE ROWAN PLAN. EXAMPLE: WAGE 60 CENTS. STANDARD PRODUCTION ONE UNIT PER HOUR

Hours				Compensation					Labor Cost			
Standard	Actual	Time Saved	Percentage Saved	Time Wages	Bonus	Total Wage	Earnings Per Hour	Percentage Increase	Units Made	Wage Cost	Unit Cost	Percentage Decrease
10	10	0	0	6.00	0	6.00	.60	0	10	6.00	.60	0
10	9	1	10	5.40	.54	5.94	.66	10	10	5.94	.594	1
10	8	2	20	4.80	.96	5.76	.72	20	10	5.76	.576	4
10	7	3	30	4.20	1.26	5.46	.76	30	10	5.46	.546	9
10	6	4	40	3.60	1.44	5.04	.84	40	10	5.04	.504	16
10	5	5	50	3.00	1.50	4.50	.90	50	10	4.50	.45	25

[1] Taken with permission from a table prepared by M. W. Gassmore for the Committee on Labor Relations of Seattle Chamber of Commerce and Commercial Club. Seattle, October 15, 1920.

TABLE XCIV—*Continued*

C. The Emerson Plan. Example: Standard Time Ten Hours

Hours				Compensation					Labor Cost			
Standard	Actual	Percentage Efficiency	Bonus Rate	Time Wages	Bonus	Total Wage	Earnings per Hour	Percentage Increase	Units Made	Wage Cost	Unit Cost	Percentage Decrease
10	20	50	0	12.00	0	12.00	.60	0	10	12.00	1.20	0
10	18	55.5	0	10.80	0	10.80	.60	0	10	10.80	1.08	0
10	16	62.5	0	9.60	0	9.60	.60	0	10	9.60	.96	0
10	15.1	66	.0001	9.06	.0009	9.06	.60	0	10	9.06	.906	.06
10	14	71.4	.002	8.40	.02	8.42	.60	0	10	8.42	.842	6.6
10	13	76.9	.0161	7.80	.13	7.93	.61	.16	10	7.93	.793	11.8
10	12	83.3	.0435	7.20	.31	7.51	.625	4.0	10	7.51	.75	16.6
10	11	91	.10	6.60	.66	7.26	.66	10	10	7.26	.726	18.3
10	10	100	.20	6.00	1.20	7.20	.72	20	10	7.20	.72	20
10	9	111	.31	5.40	1.67	7.07	.785	31	10	7.07	.707	21.1
10	8	125	.45	4.80	2.16	6.96	.87	45	10	6.96	.696	22.2
10	7	143	.63	4.20	2.65	6.85	.98	63	10	6.85	.685	23.3
10	6	166	.86	3.60	3.10	6.70	1.12	86	10	6.70	.67	25.5

D. The Taylor Differential Piece Rate Plan. Example: High Rate Per Unit 50 Cents. Low Rate 40 Cents. Machine Cost and Overhead $3.00 per Day

Hours				Compensation					Labor Cost					
Standard	Actual	Time Saved	Percentage Saved	Time Wages	Wage Per Day	Rate Per Hour	Change Per Standard	Percentage Change	Units Made	Total Wage	Machine Cost and Overhead	Total Cost	Unit Cost	Percentage Decrease
8	10	−2	− 25	3.20	2.56	.32	.18	36	8	3.20	3.75	6.95	.868	1
8	9	−1	−125	3.20	2.84	.355	.145	29	8	3.20	3.975	6.575	.82	6
8	8	0	0	4.00	4.00	.50	0	0	8	4.00	3.00	7.00	.875	0
8	7	1	125	4.00	4.57	.57	.07	14	8	4.00	2.625	6.625	.828	5
8	6	2	25	4.00	5.33	.666	.166	33.3	8	4.00	2.25	6.25	.78	10
8	5	3	375	4.00	6.40	.80	.30	60	8	4.00	1.875	5.875	.735	16

TABLE XCIV—*Continued*

E. The Gantt Plan. Example: Wage 60 Cents Per Hour. Bonus 25 or 50 Per Cent for Standard Time

Hours				Compensation									Labor Cost						
Standard	Actual	Time Saved	Percentage Time Saved	Time Wages	Bonus		Total Wage		Earnings Per Hour		Percentage Increase		Units Made	Wage Cost		Unit Cost		Percentage Decrease	
					25 Per Cent	50 Per Cent	25 Per Cent	50 Per Cent	25 Per Cent	50 Per Cent	25 Per Cent	50 Per Cent		25 Per Cent	50 Per Cent	25 Per Cent	50 Per Cent	25 Per Cent	50 Per Cent
10	11	−1	−10	6.60	0	0	6.60	6.60	.80	.60	0	0	10	6.60	6.60	.66	.86	10	10
10	†10+	0	0	6.00	0	0	6.00	6.00	.60	.60	0	0	10	6.00	6.00	.60	.80	0	0
10	10	0	0	6.00	1.50	3.00	7.50	9.00	.75	.90	25	50	10	7.50	9.00	.75	.90	25	50
10	9	1	10	5.40	2.10	3.60	7.50	9.00	.833	1.00	38.8	66.6	10	7.50	9.00	.75	.90	25	50
10	8	2	20	4.80	2.70	4.20	7.50	9.00	.937	1.125	56	87.5	10	7.50	9.00	.75	.90	25	50
10	7	3	30	4.20	3.30	4.80	7.50	9.00	1.07	1.285	80	114	10	7.50	9.00	.75	.90	25	50

F. The Ficker Plan. Example: Wage 60 Cents. Overhead 20 Cents Per Hour

Hours				Compensation								Labor Cost			
Standard	Actual	Time Saved	Percentage Saved	Time Wages	Wage Saved	Overhead Saved	Total Saving	Bonus	Total Wage	Earnings Per Hour	Percentage Increase	Units Made	Wage Cost	Unit Cost	Percentage Decrease
10	10	0	0	6.00	0	0	0	0	6.00	.60	0	10	6.00	.60	0
10	9	1	10	5.40	.60	.20	.80	.40	5.80	.644	7.3	10	5.80	.58	3.3
10	8	2	20	4.80	1.20	.40	1.60	.80	5.60	.70	16.6	10	5.60	.56	6.6
10	7	3	30	4.20	1.80	.60	2.40	1.20	5.40	.77	28	10	5.40	.54	10
10	6	4	40	3.60	2.40	.80	3.20	1.60	5.20	.866	44.4	10	5.20	.52	13.3
10	5	5	50	3.00	3.00	1.00	4.00	2.00	5.00	1.00	66.6	10	5.00	.50	16.6

−Bonus Begins. +Time Just Beyond Bonus Requirements

9. THE MAIN FEATURES OF SCIENTIFIC MANAGEMENT[1]

Perhaps the main feature of scientific management, so far as it affects the worker, is the setting of a standard task or the amount that a worker should accomplish at a given variety of work in a specified length of time. This is generally accomplished by analyzing a job as a whole into its chief elementary movements and then after timing the length of time which it takes to perform these movements, combining them after an allowance for fatigue into a standard time for the entire job. The question as to whose movements should be times, whether those of the fastest, the fairly quick, or the average workman, is a matter which in practice depends largely upon the state of the labor market and the relative strength and awareness of management and workmen. Allied with this question is that of which times should be combined, again the issue being as to whether the best times or more nearly average times of the various types of workmen shall be used.

Once the standard is set, invariably at a higher point than that which previously obtained, the worker is offered monetary inducements to attain or exceed it. Herein lies the significance of the Taylor, Gantt, and Emerson wage systems which we have discussed. The worker furthermore is assisted in attaining this standard, whether by means of instructions which enable him to eliminate wasteful motions, by surrounding him with better tools and equipment, by furnishing him with expert assistance, or by a general improvement of managerial efficiency enabling him more easily to reach his goal. Some of the more important features of improving the methods of work are: (1) The standardization of tools and equipment. This has led to a thorough study of matters such as the most effective types of belting and of the correct method of cutting metals. (2) The routing and scheduling of the work so that production may move smoothly with no gluts and stoppages. (3) Instruction cards whereby the worker is told how to do his particular job. This seems to be particularly applicable to metal manufacturing establishments. (4) Motion study in the elimination of wasteful and unnecessary movements and in some cases the provision of the proper amount of rest periods. (5) Improved methods of selecting workmen whether by interview, physical examination, trade or psychological tests.

[1] Prepared.

(6) Methods of stores control enabling the workmen to receive both material and tools precisely when he wants them.

The fundamental change from the standpoint of organization has been what Justice Brandeis calls the separation of planning from performing. The correct methods of work are developed by a separate planning department and the workmen are given instructions as to how to carry out their jobs. This most significant development is generally accompanied by another, namely, the subdivision of these planning tasks among different members of the executive force. Mr. Taylor went so far as to create eight functional foremen who would direct and supervise the workmen on some specific field. Four of them were in the shop proper, namely: (1) the gang boss who supervised the work until it was set up on the machine; (2) the speed boss who took charge of the work until the operation was finished; (3) the inspector for quality; (4) the repair boss who made all necessary repairs to the machines. The other forces were in the planning room consisting of (5) the routing clerk; (6) the instruction card clerk; (7) the time and cost clerk; and (8) the shop disciplinarian—the latter being expected to superintend the records of the men and the general relations of the management to them, thus being an interesting forerunner of the modern personnel manager.

Such minute functionalization has rarely been completely carried out in practice, but with the enlargement of the sphere of management's activities has necessarily come the creation of specialized individuals or departments to carry out specific lines of work.

It is significant that wherever genuine scientific management has been introduced it has resulted in a vastly increased output, commonly double or treble that of before.

10. WHY LARGE GROUPS OF LABORERS OBJECT TO SCIENTIFIC MANAGEMENT[1]

Scientific management, say the union representatives, is a device employed for the purpose of increasing production and profits which concerns itself almost wholly with the problem of production, disregarding in general the vital problem of distribution. As such it is a reversion to industrial autocracy which forces the workers to depend upon the employers' conception of fairness and limits the democratic safeguards of the workers. It is unscientific and unfair in the setting

[1] Adapted with permission from R. F. Hoxie, "Why Organized Labor Opposes Scientific Management," *Quarterly Journal of Economics*, XXXI, 62–85.

of the task and in fixing wage rates; in spirit and essence it is a cunningly devised speeding-up and sweating system, it intensifies the modern tendency toward specialization of the work and the task; it condemns the worker to a monotonous routine and tends to deprive him of thorough initiative and joy in his work.

Yet the statement of these objections does not furnish any very real or significant answer to the question why organized labor opposes scientific management. It gives answers in terms of belief only. It gives no clue to the causes of this belief.

The experience of the workers has been that the old-line employer has been constantly endeavoring to speed them up and overwork them by the creation of "swifts" and "full-hours," through the introduction of "company men," by threatening and coercing individuals whose resisting power was weak or whose circumstances were precarious and by offering secret premiums or bonuses. When through these methods some man or groups of men has been induced to speed up, their accomplishment has been taken as the standard for all to attain. Thus in the case of day work, the accomplishment of the strongest and swiftest was the goal set up for all, if wages were not to be lowered, while in the case of piece-work, the rate of wages tended to be lowered by the exceptionally rapid workers, because at the given rate it could be shown that they could make more than was necessary to maintain their customary standard of living. Under these circumstances the workers found that increased efficiency and output by members of their immediate group tended to mean not a corresponding increase of pay, but less wages for all or more work for the same pay; and the only way they would see to prevent overspeeding and the lowering of rates was to set a limit on what any individual was allowed to do, in short to limit output until the employes could be forced to guarantee increased wages for increased effort and output.

But these things are not sufficient fully to account for the opposition to scientific management, since the leaders of that movement also denounce these abuses. Behind and beneath all this there *is* an essential incompatability between the basic ideals of scientific management and those of the dominant type of trade unionism. Scientific management can function successfully only on the basis of constant and indefinite charge of industrial conditions—the constant adoption of new and better processes and methods of production and the unrestrained ability to adopt the mechanical, organic, and human factors at its disposal to meet the demands of those new production

processes and methods. On the other hand, trade unionism of the dominant type can function successfully only through the maintenance of a fixed industrial situation and conditions, extending over a definite period of time or through the definite predetermined regulation and adjustment of industrial change. Scientific management is essentially dynamic in its conception and methods. Trade unionism of the dominant type is effective only when it can secure the strict maintenance of the industrial *status quo*.

Thus time and motion study means constant and endless change in the methods of operation. Not the least of these changes are the discovery and adoption of new and more effective operations and tasks, the reclassification of the working force to meet the needs of these new conditions, the shifting of the individual worker from class to class in order to discover the work for which he is best adapted, etc. To the unions any change in machinery, processes, tools, materials and products not predetermined or regulated opens the way for new classifications of work and workers not covered by the contract and thus opens the way by which the employer may seek to overreach the men, establish new and lower rates of pay and less advantageous conditions of work; in other words to reintroduce competition of workman with workman and consequent underbidding among them and thus demolish entirely the structure of uniformity which the unions have reared.

Moreover time and motion study means a constant tendency toward the break-up of the old established crafts and the substitution of specialist workmen in all-round craftsmen. But it is a notorious fact that relatively unskilled specialty workers do not make good unionists and that efficiency methods of payment tend to center the attention and interest of each workman on his own affairs and thus to lessen the feeling of mutual interest and common dependence among the workers. Under these circumstances the union could not long enforce the principle of uniformity against the will of the employer."

B. Profit-Sharing and Gain-Sharing

11. WHAT IS PROFIT-SHARING?[1]

The definition of profit-sharing adopted by the International Congress on Profit-Sharing held in Paris in 1889 was as follows: "The International Congress is of the opinion that the agreement,

[1] Adapted from *Report on Profit-Sharing and Labour Co-Partnership in the United Kingdom*, pp. 3–4, Cmd. 544, 1920.

freely entered into, by which the employee receives a share, *fixed in advance*, of the profits is in harmony with equity and with the essential principles underlying all legislation." Gifts, bonuses on output, commission on sales, etc., are not instances of profit sharing which is dependent solely on the amount of net profits of the concern itself.

The most noticeable feature of the statistics of profit-sharing in this country (Great Britain) is the large proportion of schemes which have ceased to exist. Out of 380 schemes which are known to have existed at some time or another, no fewer than 198 have come to an end. Only fourteen of the schemes now existing are of more than thirty years standing and only 36 were started earlier than the year 1901. The figures seem to indicate in a very general way that periods of activity in the profit-sharing movement coincide with periods (*a*) of good times and (*b*) of industrial unrest. At such times there seems to be a recurring tendency on the part of employers to resort to profit-sharing as a possible remedy for the unrest. Periods of bad employment, on the other hand, are generally also periods of low profits, which are, of course, not favourable to the introduction of profit-sharing schemes.

12. AN ANALYSIS OF PROFIT-SHARING SCHEMES[1]

The profits taken into account for the purpose of calculation are usually the net profits of the business for the year preceding. In some cases a deduction for depreciation and reserve funds is made before participation by the employers begins. In a large proportion of the profit-sharing schemes, the employes are given a fixed share of the divisible profits, the amount falling or rising with the profits. In a number of schemes a reserved limit is given to capital and the surplus profits above this are divided *pro rata* between capital and wages, the percentage of the surplus given to the employees ranging from 2 per cent to 50 per cent, the latter being the basis in about one-half of the cases. A large number of the plans limit participation to employees who have been in the employ for a minimum period of time, usually either six or twelve months, while sometimes those working on commission, at piece-rates, or receiving a relatively high salary are excluded. Sometimes too the employee will lose his right to participation if found guilty of bad conduct.

[1] Adapted from *Report on Profit-Sharing and Labour Co-Partnership in Great Britain*, Cd. 544, 1920.

The total bonus to be distributed among the workmen is generally divided according to their relative earnings during the period although modifications of this are frequently made. The amounts are sometimes paid in cash, sometimes set aside in the form of savings accounts and sometimes issued in the form of shares of the company and sometimes in combinations of these three methods. Shares of company stock are also frequently provided at favorable terms. Generally the firm limits very closely the right of the employer to transfer his stock.

13. GENERAL PRINCIPLES IN AMERICAN PROFIT-SHARING[1]

Generally speaking, the method of apportioning the divisible profits between capital and labor is determined at the outset by the employer, who in most instances announces that a certain fixed percentage of the profits, determined in a specified manner, will be distributed at the end of the business year among employees eligible to participate.

Frequently, however, the plans merely state that the divisible profits will be distributed between capital and labor in proportion as the total pay roll is to the total capital invested, it being assumed that these two factors—total capital invested and total wages—are similar in nature. This method usually results in a distribution of the profit-sharing fund in the ratio of about 3 to 1, to capital and labor, respectively. For this reason the benefits accruing to employees, even under the most liberal profit-sharing plans, are not very large.

Under almost one-third of the plans of profit-sharing the dividend on the regular earnings of the participants was less than 6 per cent. Slightly over one-third of the establishments paid dividends varying from 6 to 10 per cent. The remaining third of the establishments paid dividends of 10 per cent or more. Of the latter, five establishments paid profit-sharing dividends of 20 per cent or more.[2]

[1] Adapted from Boris Emmet, "Profit-Sharing in the United States," *Bulletin No. 208 of U.S. Bureau of Labor Statistics*, pp. 13–14, 37–44; and the same author's article on "Extent of Profit-Sharing in the United States," *Journal of Political Economy*, XXV (1917), 1023–32.

[2] *Bulletin No. 208*, p. 19.

What then is, after all, the *raison d'être* of the existing profit-sharing schemes.

1. The advertising value of the schemes, the very name of which is high-sounding and appeals to the popular mind.

2. The nature of some business organizations under which it is difficult to correlate directly individual efficiency with its corresponding reward. The value of this factor to the employer was clearly brought out by the vice-president of the Executives' Club of Detroit in an article entitled, "Where Profit-Sharing Fails and Where It Succeeds." The author says: "Considered merely as a stimulus to increased production and greater net gain, profit-sharing is of particular

TABLE XCV

PERCENTAGE OF REGULAR EARNINGS RECEIVED AS SHARE OF PROFITS IN THIRTY-FOUR PROFIT-SHARING ESTABLISHMENTS

Classified Percentage of Earnings Received as Share of Profits	Number of Establishments
Under 2	1
2 and under 4	6
4 and under 6	4
6 and under 8	7
8 and under 10	5
10 and under 15	5
15 and under 20	1
20 and under 30	1
30 and under 40	2
40 and under 50	1
50 and over	1
Total	34

value in plants where (1) individual efficiency cannot yet be exactly measured, or where (2) much work is done far away from supervision, or where (3) longevity of service is necessary to preserve the quality of the product or to guard trade secrets, or where (4) a supplement to the wage system promoting individual efficiency is needed to minimize plant waste."

3. The effect of the schemes upon the labor turnover. Profit-sharing, particularly in the establishments in which the business is prospering and in which distributions are made at regular intervals, does seem to have a beneficial influence upon the stability of the organization.

4. The momentum of some of the older plans which makes profit-sharing a sort of a tradition which is difficult to abandon.

5. The sense of social justice of some employers.

6. The belief of some employers that profit-sharing will develop good will, diminish industrial strife, and stimulate efficiency, obviating at the same time, perhaps, the necessity of granting increases in wages.

An examination of the causes specified by employers as having been responsible for the abandonment of profit-sharing plans that they are known to have had in operation reveals the interesting fact that many of the plans were discontinued because of new order of things failed to appeal to the prospective beneficiaries, who preferred the certainty of ordinary increases in wages to the uncertainty of the potential profits at the end of the distribution period. Demands on the part of the new partners for increased wages usually appeared unreasonable and unfair to the employer, who quickly decided to abandon the scheme. One student of this question has summarized the nature of profit-sharing in its bearing upon this conflict of opinion as follows:

It is obvious that if profit-sharing is based upon favor, the so-called divisions of profits are nothing more nor less than Christmas presents or other periodical gifts, and therefore cannot be considered as a serious economic factor.

If profit-sharing is predicated upon the mutual rights and obligations arising out of relation of employer and employee, or if it is based upon some equitable right or obligation flowing out of that relation, it is then permitted to ask at what point in that relation, or under what circumstances, does the right to demand an increased wage cease and the right to demand a share of profits begin?

Unless there is some method of general application by which that point may be established, it comes down to this, that the employer—and he alone—can say when, to what extent, and under what circumstances the employee shall be permitted to exercise his supposed right—an arrangement which not only makes the employer the umpire, but permits him to change the rules in the middle of the game.

14. A UNIQUE PROFIT-SHARING SYSTEM—THE BAKER MANUFACTURING COMPANY[1]

As opposed to the usual basis of distributing profits is the underlying principle of the plan of the Baker Manufacturing Co. of Janesville, Wisconsin. It is the opinion of the management of this establishment

[1] Prepared.

that the factor that most nearly resembles wages is not the total capital but the interest. "The employer," states the general manager of this firm, "invests his capital and labor its energy. The first gets his return in the shape of interest on the investment—the legitimate per cent of profit, in our case, 6—the second gets its return in the form of daily or monthly wages. These two factors—interest on capital and wages—must be paid out of the gross receipts of the undertaking. The remainder of the gross profits after allowing all the other legitimate expenses constitutes the net earnings of the business, created jointly by capital and labor, to be distributed in proportion to the relative interests in the business of each of the two partners, namely, amount of interest on capital and wages."

The object of the plan, however, is not to augment the current earnings of the employees, but rather to create for the participating employees an annuity to become available at the time when their productive powers begin to decline.

At the beginning of each year an inventory was to be taken showing all assets and liabilities, and the net amount by which the assets exceeded the liabilities was to be considered the net gain or profit of the business for the preceding year after wages and interest had been paid. Ten per cent of the net profit was to be set aside as a sinking fund, and the remainder to be divided according to the amount of wages and interest received. The individual shares of the employees are paid 15 per cent in cash and 85 per cent in the common stock of the company, only those employees to participate in the profits who have been in the company's employ for at least two years.

If a loss occurs it is to be drawn from the sinking fund. The lowest dividend paid, 28 per cent of total wages, was paid in 1904, while the highest, 120 per cent, was paid in 1906. Fourteen times out of sixteen the percentage dividend on wages exceeded 60 per cent of the regular earnings of the participants.

The percentage of the total employed that participated in the distributed profits during the period of 1899 to 1914 varied from 51 (the lowest) in 1907 to 85 (the highest) in 1901. In the distribution of 1914, 113 or 70 per cent of the total employed, participated.

As a result of using interest instead of the amount of capital as the factor determining the owner's share, labor has received approximately three-quarters of the net profits whereas on the other basis it would have received only one-sixth. By December 31, 1914, the employees of the company had come to own 68 per cent of the common

stock, being in possession of 54 per cent of the entire capitalization of the concern.

15. THE RELATIVE SUCCESS OF PROFIT-SHARING[1]

There have been a few conspicuously successful cases of profit-sharing which indicate that if rightly applied, there are many circumstances in which it is an excellent method. It has been abandoned, however, in so many cases that it needs to be analyzed carefully before being either sweepingly advocated or condemned.

First what is its effect upon production. The protagonists of the system claim that the prospect of a share in the profits will not only induce individuals to work harder but will lead the group as a whole to put pressure upon individual members who may be inclined to slack in their work. No doubt this motive does operate frequently, particularly in small plants when the workmen are well acquainted with each other. It should be remembered, however, that the share received by the workmen generally amounts to only a relatively small percentage of their annual earnings (generally less than 10 per cent) and that this is typically paid only once a year. Both the smallness of the sum and the fact that its secural is relatively so far away weaken the incentive to effort. There is, moreover, little connection between individual effort and individual reward. A conscientious workman may double his own output yet, because of the lethargy of his fellows, come to receive only an infinitesimal addition to his income. For the mass of men on the other hand there is the easy temptation to depend on others to earn their profits for them.

Secondly, if what is sought is that profits should be distributed according to the relative contributions made to the industry by the respective groups, then the justice of profit-sharing may legitimately be questioned. The relative amount of profits earned by a business is in large part independent of the contributions made by the workers. Thus the workmen, anxious to secure profits, might increase their efforts only to find at the end of a given year that because of bad management or a fall in prices that there were no profits for them. The men would thus be deprived of the reward for their toil through no fault of their own. Or consider the opposite case. The men might not work any harder than before but through excellent management or a favorable fluctuation in prices, the firm would make, and they

[1] By Paul H. Douglas.

would share, large profits. Yet this would be a purely fortuitous windfall which the workmen at least had not themselves merited.

Finally, what shall we say of its effect upon sweetening the relationships between employers and workmen? Rightly conceived it has great possibilities in this direction, especially if the profits are distributed in the form of shares in the company, thus joining the men to the company by a double tie. If the confidence of the men is to be secured, however, the wages paid must be at least equal to the market rate and the plan must not be used to break up the unions. Even under these conditions the workmen are likely to regard the profits they receive merely as another form of wages and hence to feel injured and possibly duped when profits are not earned. Some employers, notably Mr. W. P. Hapgood of the Columbia Conserve Co., have succeeded in overcoming this by complete frankness and letting the workmen know the exact status of the business. If an employer with a profit-sharing plan is to avoid distrust and trouble during the lean business years he must take pains to see that during the prosperous years the workmen thoroughly understand the plan, and he must take them into his full confidence so that they know the exact financial status of the company every year.

16. THE PROPER FIELD OF PROFIT-SHARING[1]

Regarded purely as an efficiency method, as a business arrangement for increasing profits by sharing them, the effectiveness of general profit sharing is in direct relation to the rank of the participators, and in inverse relation to the size of the concern or of the participating group.

a) The opportunity to influence profits is greater among supervising employees.—With the position of greater responsibility goes the greater influence on profits. Even though his natural ability might be as great, the opportunity of the unskilled worker to influence profits by increased effort or diminished waste is not so great as that of the skilled worker. The high wages of the latter make his time more valuable to the employer, and he is intrusted with more expensive equipment, machinery and materials. The skilled worker cannot, as a rule, affect profits to the same extent as the foreman. since the latter, by effective supervision, may increase the output of all those under him. Similarly the opportunity of a foreman to influence

[1] Adapted with permission from a collaboration by Arthur W. Burritt, Henry S. Dennison, Edwin F. Gay, Ralph E. Heilman, Henry P. Kendall, *Profit-Sharing—Its Principles and Practice*, pp. 4, 6-7, 84, 85. (Harper & Bros., 1918.)

profits is ordinarily less than that of those who, as members of the managerial or executive group, formulate the policies of the business.

Furthermore, those in the higher salaried positions, generally speaking, can more readily see the relationship between their individual efforts and the profits account. If profit sharing is to prove a really effective incentive it is necessary not only that the activity of participants shall vitally affect the profits account, but also that they know it does, and how it does.

In the third place employees in managerial positions have a better understanding of business uncertainties. This is of importance in considering the results of lean years upon the outcome of a profit sharing plan. Those who occupy the principal positions are acquainted with the conditions producing the poor results. The smallness of the earnings is not so likely to destroy their confidence in the profit sharing plan; "hard luck" may even give them a stronger sense of partnership. But the employees in less important positions are more apt to be suspicious of the management and to grow indifferent to the promises of profit sharing. Several firms formerly employing profit sharing among the rank and file report that they have abandoned it because they found that after a poor year it did not produce results.

Finally the results of individual effort in the managerial group are difficult to measure. This renders profit sharing especially applicable to them. Much of the work performed by the wage earners consists in the repetition of certain motions, or the production of a measurable output, and it is possible to know and to recompense with certainty the results of each man's labor.

b) Relation of profit sharing to the size of the participating group.—1. The larger the number the greater is the difficulty of educating participants. The successful introduction of profit sharing, especially among wage earners, involves a campaign of education which must be almost continuous in the early years of the plan, and which can never be definitely dropped. Participants must be taught to see the relation between their efforts and profits; confidence in the management's intentions must be established; interest in and loyalty to the profit sharing feature must be developed. All this requires time, constant effort, and patience upon the part of the active management. When the group is large the management must do its work at greater distance and by less direct methods. The task must be intrusted to subordinates. But a feeling of intimacy cannot be conveyed by intermediaries; they may even become a bar to mutual understanding.

2. The larger the group the less is the relative effect of each upon profits.

3. The larger the group, the less is the influence of members upon each other. Members of a large group realize that any increased efficiency of their own may be offset by the indolence of others. The larger the number, therefore, the less is the helpful watchfulness of participants upon each other. But it is certain that profit sharing cannot function well unless the participant who is known to be indolent is in some manner made to feel the disapproval of his fellows whose profits he is impairing. As the group increases in size the "team spirit," which rests largely upon the moral influence and enthusiasm of fellow profit sharers, becomes seriously weakened.

The effectiveness of profit sharing as an instrument for profit making is greatest among high groups and small groups. It is a particularly appropriate method of compensating those occupying managerial or discretionary positions, for the greater the responsibility the larger is the opportunity to influence profits. This is true progressively from the lowest to the highest grades, in the hierarchy of a business organization. While profit sharing may also, under certain circumstances, be advantageously introduced among the rank and file, it is not believed that in groups of large size it will normally operate as a strong incentive to personal efficiency, increased effort, care, economies, or cooperation.

17. GAIN-SHARING[1]

The right solution of this problem will manifestly consist in allotting to each member of the organization an interest in that portion of the profit fund which is or may be affected by his individual efforts or skill, and in protecting this interest against diminution resulting from the errors of others, or from extraneous causes not under his control. Let us suppose that the principal, wishing to enlist the self-interest of his employes to augment the profits of the business, should offer to the operatives a proposition somewhat as follows:

"I have already ascertained the cost of our product in labor, supplies, economy of material, and such other items as you can influence. I will undertake to organize and pay for a system whereby

[1] Adapted from an article by Henry R. Towne in the *Sixth Annual Report of the Bureau of Labor Statistics* of *the State of Connecticut* for the year ending November 30, 1890.

the cost of product in these same items will be periodically ascertained, and will agree to divide among you a certain portion (retaining myself the remainder) of any gain, or reduction of cost, which you may effect by reason of increased efficiency of labor, or increased economy in the use of material, or both; this arrangement not to disturb your rates of wages, which are to continue, as at present, those generally paid for similar services."

The system for which I have adopted the designation of "gain-sharing" aims to recognize and provide for the conditions typified by the foregoing supposititious case, and to afford a basis for allotting to the employes in a business a share in the gain or benefit accruing from their own efforts, without involving in the account the general profits or losses of the business. The system is now in actual use, as affecting some 300 employes, has been in operation more than two years, and is demonstrated to be practical and beneficial.

The basis or starting-point of the system is an accurate knowledge of the present cost of product (or, in the case of a mercantile business, the cost of operating it), stating in terms which include the desired factors, that is, those which can be influenced or controlled by the employes who are to participate in the result, and which exclude all other factors.

As a general rule, it may be stated that in the case of an account affecting the operatives in a producing or manufacturing business, the following items should be *included*, viz.: labor at cost, raw material, measured by quantity only, for which purpose an arbitrary fixed price may be assumed; incidental supplies, such as oil, waste, tools, and implements, at cost; cost of power, light, and water, where means exist for correctly measuring them, for which purpose it often pays to provide local meter; cost of renewals and repairs of plant; and, finally, the cost of superintendence, clerk hire, etc., incident to the department covered by the system. In like manner the following items should be *excluded*, viz.: market values of raw material, which are liable to fluctuation; general expenses whether relating to management of works or to commercial administration; and, in general, all items over which the operatives can exercise no control or economy. Finally, the credit side of the account should be determined by the amount of value of product measured by a scale of values fixed in advance, and based upon facts previously ascertained. For example, if, in a given case, it has been determined by the experience of several years that the present cost of product, measured by such items as

are covered by the inclusive list above stated, is, say, $1 per unit of product, then the gain-sharing proposition might be formulated as follows: The principal would say to the employes, in substance, "I will organize the system, will assume the cost of book-keeping and other expenses incident to it, and will provide all the facilities reasonably required to assist you in reducing the cost of product; I will credit the account with the output at the cost price heretofore obtaining, namely $1 per unit, and will charge it with the items in the inclusive list; if at the end of the year the credits exceed the charges, I will divide the resulting *gain*, or reduction in cost, with you, retaining myself one portion, say one-half, and distributing the other portion among you *pro rata*, on the basis of the wages earned by each during the year." Supposing, then, that at the end of the year it was found that the cost per unit of product had been reduced from $1 to 95 cents, that the total gain thus resulting was $800; and that the aggregate wages paid during the year had been $10,000. One-half of the gain would be $400, which would equal 4 per cent on the wages fund, so that each operative would be entitled to a dividend of 4 per cent on his earnings during the year.

In the practical application of the system several important details have to be determined, for which no general rule can be laid down. Of these the most important is the question of the division of the gain or profit between employer and employes. In each of the twenty-one gain-sharing contracts which I have thus far instituted, it has seemed proper to make this division an equal one, one-half to the principal and one-half to the operatives.

Another important question is the share of the profit fund or *gain* apportioned to the foreman, overseer, or contractor having immediate control of the operatives interested under the system. Where such person is employed under salary he may share *pro rata* with the operatives, but as this would tend to diminish his share with any increase of responsibility due to the need of an increased number of subordinates, I prefer to allot to him a definite part of the profit fund. Assuming fifty to be the average number of employes under one foreman, I regard 10 to 15 per cent of the profit fund as about the proper allotment to the foreman, leaving 40 to 35 per cent for his subordinates, where 50 per cent is retained by the employer.

A third point to be considered is the basis of participation on which the dividend to the operatives shall be apportioned among them. The simplest plan, and the one which I have adopted in practice,

is to distribute the total fund allotted to the operatives on the basis of the actual wages earned by each during the year, including in the account every one employed during that time, even if for one day only.

It has been found feasible and very beneficial to have posted in each room or department where the gain-sharing system is in force, a suitable blank, preferably under glass, on which can be entered each month the net results of the system during the preceding month, and including a statement of the *rate* of dividend earned since the beginning of the contract year. The stimulus thus given to the interests of the employes is very marked.

Another point of much importance is the question of the length of time during which a contract for "gain-sharing" shall continue without modification. Its inception is voluntary with the employer, and he may impose on the contract any conditions he sees fit, since its whole purport is to tender to the employ an interest in excess of his stipulated wages, from which it is expected that he will gain an increase of his compensation, but under which he cannot possibly suffer loss. Such a contract, however, when once definitely entered into, is, like other contracts, only amenable to revision by the joint consent of both parties to it.

The length of time which is desirable to adopt for a gain-sharing contract depends greatly upon the conditions of the case. When, therefore, the cost of product is already accurately known, a gain-sharing contract may safely be made for a considerable length of time, whereas, when the cost is not well known, it is better to fix its terms for a shorter period, in order that they may be revised when the necessary information has been obtained. The best results will be obtained, however, when the contract is definitely fixed for a reasonably long period, say from three to five years, or even longer. At the expiration of a contract, the option and right revert to the employer of revising the "contract prices" before offering a renewal of the contract; in which event, if during the previous term the cost of production has been considerably reduced, he will presumably, although this is not always the wisest course, proportionately reduce the contract prices. If, therefore, the contract period be short, the employe will naturally ask himself whether it is to his interest, for the sake of a small increase of compensation during that period, to make increased exertion, in view of the fact, at the end of the period, the employer will probably again reduce prices to a point where, in order to increase his earnings,

the employe would have to exert himself even more than at first. If, however, the contract price be definitely fixed for a long period, the employe can afford, for the sake of present gain, to disregard this question as one only affecting a somewhat remote future, and to use his best efforts and intelligence to effect a reduction in the cost of product. As a result of this the employer will be able, when the opportunity for a revision of prices arises, to make a larger reduction than he would probably attain in the same time under the plan of frequent revisions, and can also then afford to act more liberally toward the employes in the matter.

Gain-sharing may be adapted to industries of almost any kind in which it is feasible, by reasonable expenditure, to differentiate those elements of cost which can be influenced by the persons who are to participate in the resulting gain from those which are beyond such influence or control.

Appendix A gives the results obtained in the case of a number of these contracts to which I have applied the gain-sharing system, two of these covering a period of two years each. All of the others are now running on the second year, but only the results of the first year are here stated. The "contract prices" adopted for these gain-sharing accounts were in some cases the actual previous costs, but in a majority of cases the contract prices were fixed at rates which were a reduction of from 10 to 20 per cent, and in one case of 30 per cent from previous costs.

APPENDIX A

Contract Number	Term (Years)	Helpers' Earnings	Gain or Loss	Helpers' Share*	Rate of Dividend
1.....	5	$13,080.43	$3,388.53	$850.18	.065 per c.
2.....	5	9,216.87	*37.59	.....	.....
3.....	5	3,666.34	840.05	208.98	.057 per c.
4.....	3	4,936.54	573.58	148.09	.03 pez c.
5.....	5	910.22	†48.52	.....	.....
7.....	3	3,861.28	537.72	134.43	.035 per c.
8.....	3	1,012.92	447.59	111.42	.11 per c.
9.....	3	419.55	109.04	27.27	.065 per c.
10.....	5	17,696.47	1,256.37	318.53	.018 per c.
15.....	5	728.53	358.20	89.62	.123 per c
SECOND YEAR					
1.....	.....	$14,096.05	$3,251.04	$817.56	.058 per c.
3.....	.....	3,732.21	1,027.20	261.15	.07 per c.

* At approximately 25 per cent of gain.
† Losses.

PROBLEMS

1. What is the difference between time and piece wages? To what types of work are each adapted? Why do some employers favor piece rates and others time wages and why?
2. It is commonly said that trade unionists oppose piece rates. How reconcile this with the fact that the unions of cotton spinners demand piece rates and that the coal miners in the past have done so? Why do these and other groups of workmen prefer piece rates? Why do many groups of workmen oppose it?
3. What is the Halsey plan and why was it devised? How does the Rowan plan differ from it and why was the modification made? Discuss these systems from the standpoint of (*a*) production, (*b*) justice in distribution.
4. What do the Taylor, Gantt, and Emerson systems have in common? How do they differ? Give illustrations of each. Evaluate each and point out which you think to be best and why?
5. Why does organized labor object to scientific management? Are these objections reasonable or based merely upon prejudice? Why or why not?
6. How is the base rate determined under scientific management? How is the standard task determined? On what basis is the percentage-bonus given to the workers determined? To what extent are these so "scientifically" determined that collective bargaining is not needed to protect labor's share?
7. What is the difference between "sharing out of profits" with one's workmen and "sharing according to profits"? Which is profit-sharing as it is standardly accepted?
8. Would sharing profits with a few of the leading executives constitute profit-sharing?
9. Why have firms installed profit-sharing systems and when do they tend to institute them?
10. Under the various profit-sharing plans, when do the profits which are to be divided between employers and employees begin? According to what methods are they then divided? How is the share allotted to labor allocated to individual employees? Compare the various methods used in each instance and state which you prefer and why?
11. "Profits are sometimes distributed in cash and sometimes in stock." What problems are raised in each case? Which method do you prefer and why?
12. B. Seebohm Rowntree says any firm installing profit-sharing should observe the following principles: (1) the figure taken for capital must be a fair one and not one inflated for the purpose; (2) labor's share of the profits must be definitely fixed beforehand and there must be no room for manipulation, whether in the setting aside of reserves or by unduly

increasing the reward of direction; (3) labor must have adequate means of satisfying itself of the accuracy of the accounts; (4) labor must have a legal right to its share of profits and not be given them as a bounty; (5) wages must not be less than trade union or other appropriate rates; (6) employees must be free to join a trade union; (7) strikes must not be penalized in any way

Just what do the first four of these provisions mean? Do you think of the various principles stated and why?

13. To what extent does profit-sharing operate to increase production? Would hard-working individuals get discouraged in working to benefit their more careless fellow-workers? To what extent would there be a tendency to let someone else earn your share of the profits for you and why? Would this be greater in a small or large plant and why?
14. "Profit-sharing would make the group put pressure on lazy and slovenly workers." Do you agree or disagree and why?
15. "The principle of profit-sharing is essentially incorrect since the workmen share in something over which they have little control. Profits may go up or down due to other factors and they should not be rewarded or punished for this." Explain this statement in detail and evaluate it.
16. Why do many profit-sharing plans stir up a great deal of discontent during periods of depression? Should the workmen help the company to bear the loss?
17. In what ways does H. R. Towne's plan of gain-sharing furnish incentives to production which are absent from profit-sharing?

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PART SEVEN

THE COMMUNITY'S APPROACH

INTRODUCTION

In considering the approach of the community to the problems raised under modern work relationships we are but continuing and amplifying a subject which has been present in all the preceding chapters of this text. Certainly the worker and the employer, for example, are a part of the community; and, also, very few of the acts of either stand in such splendid isolation that they are unaffected with a public interest. This part, therefore, should be considered in light of that which has gone before, especially Part Two, "The Development of Economic Organization," and Part Five, "The Worker's Approach." Considered with these "The Community's Approach" should appear organic, and evolutionary.

The materials as arranged in readings and questions of this part will suggest (*a*) the scope and methods underlying the changing control of the community, (*b*) the various legislation devised for the protection of what the community deems fitting and desirable, (*c*) the attitudes of our judicial system toward the status and activities of organized labor, and (*d*) the outstanding methods and devices called into play by the community to assure industrial peace.

CHAPTER XXVI

SCOPE AND METHOD OF COMMUNITY CONTROL

The agreement of people is the happy state which makes possible the ability to act in common both informally through the mores of the group and formally through statutory and common law. But agreement is only one phase of life. The world of experience is so varied that social groups inevitably develop conflicts, which in turn may produce agitation for change.

It is a too-obvious and superficial generalization to state that the law expresses the will of the people. The modern world finds people too busy in most cases with their thousand and one interests to develop any particular attitude toward what is, what should be, or what should not be the law with regard to the relationships in industrial society. If community control is to be understood, we must look farther than this generalization and seek to appraise the conflicting philosophies of state interference with industry, the part played by minority groups, the factors which cause social adjustment to lag behind in the race with the ever-changing culture, and the inertia of the law. This chapter seeks to suggest some of the forces within the community which enter into the problem of social control.

1. THE LIMITS OF THE PROVINCE OF GOVERNMENT

a) THE INDIVIDUALISTIC CONCEPTION[1]

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest in his own way, and to bring both his industry and capital in competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which, he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employment most

[1] Taken with permission from Adam Smith, *The Wealth of Nations*, Book IV (Cannan edit.), Vol. IV, pp. 184–85. (G. P. Putnam's Sons.)

suitable to the interest of society. According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings: first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing the exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense of any individual or small number of individuals, though it may frequently do much more than repay it to a great society.

b) THE COLLECTIVIST CONCEPTION[1]

Collectivism is the general doctrine that the welfare of the individual is best conserved and promoted by action by the political state in the economic sphere.[2] The term is opposed to individualism, the theory that the economic field should be left to the free interplay of individual forces.

Obviously *the opposing terms, individualism and collectivism, as practically used, are relative rather than absolute* in their meaning. No advocate of individualism believes that the economic field should be entirely exempt from social regulation, and no collectivist advocates the transfer of all economic initiative from the individual to society. But the individualist commonly is opposed to further socialization of industry and often feels that the process has already proceeded too far, whereas the collectivist believes that many of the more important economic functions now under private control should be assumed by the state.

Though in one form or another the conflict between individualism and collectivism is common to all history, the emergence of the particular forms of these respective doctrines in modern times is clearly contingent upon the rise and progress of the Industrial Revolution. In the early days of the machine era it became apparent that the methods of the state inherited, in a large part, from the feudal

[1] Prepared by Willard E. Atkins.

[2] Aside from state collectivism it is possible, of course, to have a pluralism apart from the political state, consisting of the grouping of individuals for the purpose of self-government and self-control. Guild socialism may be cited as an illustration.

régime, were ill adapted to the growth of industry and trade. Consequently the clamor of the rising middle class was for freedom from state interference. But with the further evolution of the industrial era, the seeming failure of social welfare to keep pace with the enormous strides in productive power naturally directed attention of many to various forms of collective action in order to secure what they considered a greater measure of justice and a fairer portion of the product of industry. It is not without significance that the doctrine of individualism received its first classical expression by Adam Smith in the latter part of the eighteenth century, while the doctrine of collectivism received its most famous expression by Karl Marx in the middle of the nineteenth.

From the order of historic emergence, the writer is not implying that individualism is an outgrown doctrine applicable only to the earlier conditions of the industrial era. But in the evolution of modern democracy, it was inevitable that the working class, deprived of their ownership of the tools of production and weak in bargaining power, should develop a faith in collective bargaining along with their growing class consciousness. And since collective bargaining has obtained for the worker only a fraction of the securities and advantages for which he has reached, it naturally follows that many laboring groups are turning more and more to the theories of collective ownership and management of industry—theories which tend to carry the principle of collectivism to its logical extreme, and perhaps to its *reductio ad absurdum*.

Doubtless, too, the main tendencies of capitalistic development have played into the hands of the collectivist theorists. The more extreme opponents of collectivism are likely to contend, and believe, that they are championing the rights of the individual when, in reality, they are simply pleading for non-interference with the natural development of capitalism, a development which has been characterized in the main by a drift from the relative early individualistic competition toward co-ordination, combination, and often the extinction of the small capitalist, a process in which the freedom of action of the many individual capitalists has been largely surrendered in return for the economies of large-scale production.

From the evidence already afforded by the development of capitalistic society, the impossibility of restricting the collective functions to a few unimportant and innocuous fields is quite evident. According to Adam Smith the duties of the sovereign, and hence by implication of the sovereign state, are three: the protection of the particular

society from other independent societies; the maintenance of justice among the members of the society; and finally the erection and maintenance of certain public works and institutions which private industry would not find profitable. It is now clear that all these restricted functions are likely to be greatly extended under the pressure of actual events. Obviously, the state must take some cognizance of industrial developments, such as the exploitation of foreign markets, which may, in turn, provoke war; and once war has been declared, the state finds it necessary to assume all sorts of economic functions usually left to private enterprise, because modern war is not a segregated tournament between military groups, but the pitting of the total resources of one country against those of another. Obviously, too, the requirements of the administration of justice must force the state to commit itself to social policies when the major disputes to be settled are not between isolated individuals but between powerful groups of associated individuals. And finally, it is quite impossible to set even approximate limits to the number and quality of institutions which the state may find it necessary or expedient to erect and maintain. The devastation wrought by contagious diseases soon forces the recognition of the fact that no amount of personal enlightenment and caution can protect the individual's health from the encroachments of an ignorant or careless community; and when the state assumes responsibility for public health, public hospitals are sure to come into conflict with private hospitals, and public playgrounds with private amusement parks. Thus in these, and in myriad other ways, modern governments are forced into the unforeseen and awkward assumption of ever-widening collective functions.

While these changes go on, those who accept the doctrine of collectivism are likely to emphasize three main points on mooted questions:

1. They feel that the principle of protection should apply not only to defectives and dependents, but to all individuals. They contend that the individual with his necessarily limited knowledge, limited leisure, and limited energy, is usually a poorer judge of the essentials of his own welfare than is the collective wisdom of the community. Moreover, they would subscribe to what the individualist would call a restriction of the freedom of contract, contending that *freedom* in bargaining with the modern corporation, for example, is often nothing other than an ironic misnomer.

2. They assert a preference for collective as contrasted with individual or private action. The thoroughgoing collectivist contends that the inefficiency of government enterprise has been greatly

exaggerated, and that such inefficiency as there is, results from governmental inexperience and the opposition of private enterprise rather than from intrinsic inadaptability of government to matters economic.

3. Finally, as the most important principle of collectivism, they subscribe to equalization of opportunity among individuals. The collectivists believe that the true welfare of the individual must be derived from the welfare of society itself. They feel that the gross inequalities of wealth resulting from a false individualism constitute the greatest restriction upon the free self-development of the individual, and consequently that individualism itself can be realized only through collectivism.

To state their position is but to indicate that the goals of the individualists and the collectivists possess much in common: the chief difference exists in the faith as to the road leading to such goals.

2. MODES OF COMMUNITY ACTION

a) INTRODUCTORY

Back of all innovations in law, in court interpretation and in enforcement, lies, of course, some new crystallization of public opinion and the work of some agitating group. Sometimes the group seems to be very representative of the community as a whole, acting merely as the mouthpiece of a general desire; more often, it speaks obviously for only a small clientèle, while the rest of the community tacitly gives assent or more often pays no attention either way.

The most striking type of the small but compact agitating group is, of course, the legislative "lobby." Such a lobby may be working for the narrowest of special interest or it may be working for the broadest of public ends. Its methods must be those of propaganda in either case. More and more the members of "general-interest" groups—i.e., "reformers" of all kinds—are coming to realize this. In matters of industrial reform, especially, the keenest sufferers from existing abuses—the poor and the ignorant—are apt to be the least able to agitate for themselves. Upper-class labor and avowed "general-interest" groups must champion the cause of lower-class labor, if the latter is to be heard in a commanding fashion.

b) THE OPERATION OF SPECIAL INTEREST GROUPS: THE INSURANCE LOBBY IN CONGRESS[1]

The Fitzgerald accident compensation bill for private employees in the District of Columbia—although introduced as long ago as

[1] Adapted with permission from article by Irene Sylvester Chubb, in the *American Labor Legislation Review* (September, 1922), pp. 162–67, 168–69.

April, 1921—was *still pending* when Congress adjourned in September, 1922. The time is now ripe for the public to know the real forces which are delaying action in this case.

The only serious opposition to the Fitzgerald bill is instigated and promoted by the casualty insurance interests. At the hearings in Washington, insurance interests were represented by their most highly paid lobbyists. Their opposition appeared in various guises. Their leading speaker was the manager of the "Workmen's Compensation Publicity Bureau"—an organization supported by a number of large casualty insurance companies. This organization also circularized Congress with two elaborate and expensive pamphlets attacking the bill. Several other speakers who appeared, avowedly to represent civic welfare organizations, were later found to be in the employ of commercial insurance interests.

Meanwhile, the chairman of the Committee introduced a rival bill desired by the casualty insurance interests. That failing, he attempted to load the original bill with pernicious amendments and delayed and redelayed his committee meetings. Finally the House committee came together in the absence of the chairman and in exasperation *instructed* him to make the Fitzgerald bill the order of business on the following Monday.

Immediately, insurance men redoubled their hostility. Telegrams poured in, and on the appointed Monday the distribution of affirmative time for the bill was placed in the hands of a congressman opposed to this measure! Filibustering on the floor of the House continued and the debate could not be finished. . . . . The bill still remains "unfinished business" on the House Calendar for the coming session. Speakers, telegrams, letters and pamphlets had done their work.

SAMPLE OF A LETTER SENT OUT BY THE INSURANCE LOBBY

KANSAS ASSOCIATION OF INSURANCE AGENTS

TOPEKA, KANSAS, JUNE 21, 1922

Congressman "Poly" Tincher
Washington, D.C.
HONORABLE SIR:

Please be present at the meeting of the Committee of the Whole House on the 26th instant and subsequent days when House Resolution No. 10034, known as the Fitzgerald Bill, is considered.

Please support a motion to substitute the Underhill Bill for the Fitzgerald Bill after the enacting clause of the last has been read. If that fails, then support the Underhill amendments to the Fitzgerald Bill eliminating the Monopolistic State Fund feature. If that fails, then vote

against the Fitzgerald Bill in the Committee of the Whole House. If that fails, then vote against the Fitzgerald Bill on the floor of the House when it is reported from the Committee of the Whole House.

The insurance agents of the State of Kansas are opposed to the Fitzgerald Bill without a dissenting voice. We will appreciate your support in being present and defeating this measure.

Very truly yours,

C. G. BLAKELY, JR., *Secretary*

June 23, 1922

Mr. C. G. Blakely, Jr.
Kansas Association of Insurance Agents
Topeka, Kansas

MY DEAR BLAKELY:

Answering your letter of June 21, which is one of the most unique letters I have ever received.

. . . . I want to compliment you upon your thorough knowledge of the several steps that are liable to be taken in this matter, and to assure you that I am always glad to be able to be of service to the insurance agents of the state of Kansas.

Yours truly,

J. N. TINCHER

P.S.—You overlooked one thing in your letter; you didn't tell me what to be thinking between the different motions.

c) THE RÔLE OF PUBLIC INTEREST GROUPS AND HIGHER CLASS LABOR IN DEFENDING LOWER CLASS LABOR

i. The New York Shirtwaist Makers' Strike, 1909[1]

Curiously enough, *it was a sub-contractor who started the strike.* This man, *because he "was sick of slave-driving,"* protested to the manager, saying he wanted to go and take his girls with him. He was not allowed to speak to the girls after he had expressed himself, but was set upon and dragged out of the shop—the original "assault." As he was dragged along he shouted, "Will you stay at your machines and see a fellow worker treated this way?" And impulsively 400 operators dropped their work and walked out.

Most of the pickets, also, interviewed by the committee stated that they themselves were earning from twelve to fifteen dollars a week, but they struck in behalf of those poor girls under the sub-contractors who were getting only five dollars a week.

A vast amount of publicity in behalf of the girls was secured *by the entrance into the field of the Women's Trade Union League and other*

[1] Adapted from articles and editorial in the *Survey*, November and December, 1909, and January, 1910.

interested people, largely women settlement workers, which resulted in the arrest of their president, Miss Mary Dreier of Brooklyn. These volunteer workers have formed themselves into an organized patrol, six or eight of whom place themselves in front of the shop at opening and closing time, looking after the rights of the girls and going to court as witnesses with strikers who are arrested. Miss Dreier was discharged upon arrival at the nearest station house, and the police attitude toward the women was deliciously revealed when the officer in charge upbraided her for not having told him that she was "the rich working girls' friend," had he known which, of course, he would not have arrested her.

It is a good thing for the sake of public sympathy that policemen and magistrates should have been thought to be unduly severe in suppressing picketing; that girls whose disorderly conduct consists of attempting to persuade other girls not to take the place of strikers should have been put into prison in the enforced company of women whose disorderly conduct is that of the common prostitute, and that all this should have occurred in the center of Manhattan Island, where women of wealth and social position, and college women could easily come into personal touch with it.

ii. The Consumers' League Campaign against Low Wages[1]

These young workers cannot be left to fight their own battle for wages. The young clerks and cash children, the bundle wrappers and change makers in our stores afford no material of which militant unions can be formed. Whatever safeguarding is to be theirs must come to them from without, from the consuming public.

Every gain hitherto made in behalf of the store employees has met energetic opposition from association of merchants, who systematically fight the establishment of standards of hours or wages. This industry is kept in its subnormal, parasite condition by deliberate intention of merchants who are among the ablest business men of America. Their organization, formed after the Reinhardt Commission investigation, in 1896, in New York City, has been maintained and strengthened and imitated in scores of cities for the purpose of fighting all encroachment upon freedom of exploitation.

Similarly with the tenement house industries. Here, too, as in the retail stores, society cannot afford to delegate to the trade unions

[1] Adapted with permission from Mrs. Florence Kelly, "Minimum Wage Boards," *American Journal of Sociology* (November, 1911), pp. 303–14.

a task which they cannot justly be asked to perform. Tenement-house workers have never anywhere been able to form a lasting union. Differences of language, nationality, race, religion, sex, age, and skill make an effective union among them unthinkable. Society itself must build the floor beneath their feet.

Beyond and below the stores and tenement workrooms stand the cotton-mills. The cotton trade is farthest below the normal level. It stretches continuously along the Atlantic Coast from New Orleans to Maine. It exhibits the same product of wholesale, chronic poverty under high protection in America, as in England under free trade. It is not an accident that New Orleans and Fall River, at opposite ends of the cotton coast, have the worst death rates for cities of their respective sizes in the census of 1900. The cotton-mills suck the whole family into industry. The cotton industry everywhere, and at all times, pays such low wages that wives and children must eke out the family subsistence. Its regular accompaniments are child labor, employment of married women, long hours alternating with curtailment, poverty, illiteracy, and tuberculosis.

The cotton industry actively strives to prevent legislative progress. It fights the establishment of standards. In not one cotton-mill does the eight-hour day obtain.[1] In no state dominated by the textiles is there a statutory eight-hour day, even for the children. It is in New Hampshire, a cotton-manufacturing state, that we find a new law of 1911 for a minimum age for children in factories, out of school hours, fixed at twelve years, when all other northern states have adopted fourteen years as the minimum. It is the cotton industry which led the recent unsuccessful fight against the women's fifty-four-hour bill in Massachusetts, and induced Governor Blease to veto the appropriation for factory inspectors in South Carolina.

It is an active cotton lobby that keeps Georgia from freeing its eight-, nine-, and ten-year-old children from working sixty-six hours a week and eleven hours a day. It is the cotton lobby which prolongs the life of the law under which fifty cotton-mills employing young children worked at night, in the winter of 1911, in North Carolina. It killed the women's fifty-four-hour bill in New Jersey.

Before the New York legislature of 1911, the garment manufacturers from Troy and the cotton-mill men from Cohoes and Utica appeared together to oppose the women's fifty-four-hour bill, upon the plea that the workers could not live upon their earnings if their working day was shortened—the same plea that is urged against shorter

[1] This was written in 1911.

hours for little children in Georgia, where they work sixty-six hours a week. Could there be a more convincing argument for minimum-wage boards than this hypocrisy? We shall meet the cotton lobby before legislatures North and South, fighting against the passage of minimum-wage-board-laws.

[NOTE: Space does not permit the development of the effects of magazine articles, speeches before colleges and associations, the coercing of newspapers through the withdrawal of advertising, and the multitude of methods brought into play by various agitating groups to control legislative action.—ED.]

3. THE LAG IN SOCIAL ADJUSTMENT[1]

This rapidity of change in modern times raises the very important question of social adjustment. Where one part of culture changes first, through some discovery or invention, and occasions changes in some part of culture dependent upon it, there frequently is a delay in the changes occasioned in the dependent part of culture. The extent of this lag will vary according to the nature of the cultural material, but may exist for a considerable number of years, during which time there may be said to be a maladjustment. These causes may be cited as follows:

a) Scarcity of invention in the adaptive culture. Sometimes, the adaption of a culture to changed material conditions necessitates what might be called an invention in the adaptive culture. The growth of industrial accidents because of the use of modern machines necessitated an invention in the adaptive culture, which is called workmen's compensation.

b) Mechanical obstacles to adaptive changes. What is perhaps more frequently true is that the invention in adaptive culture is known, but there is difficulty in getting the invention adopted. Someone in comparing invention and diffusion has made the remark that it is easier to spread butter than it is to make it. It is not, however, as easy to spread culture as it is to spread butter. A good deal of resistance of culture to change exists, for instance, in habit, love of the past, and various utilities of the old culture. There does seem to be, however, at times a purely physical or mechanical obstacle to the spread of some forms of culture. For instance, in the United States most state legislatures meet only every two years and frequently

[1] Adapted with permission from William F. Ogburn, *Social Change* (B. W. Huebsch, Inc.), 1922, pp. 200, 201, 257, 258, 259, 260, 261–64.

for short and limited periods. For this reason alone it takes some time for statutory enactments to spread throughout the states. Moreover, in a democracy such as we have in the United States, the people have to become familiar with proposed reforms before they are sanctioned. This takes time, as every practical reformer knows. It involves setting up extensive machinery of education and propaganda. Indeed the obstacles to the spread of any invention in the non-material culture are many.

c) The heterogeneity of society. A great many of these special obstacles to changes arise because society is heterogeneous, consisting of many classes and groups. The need of the change in the adaptive culture is felt by only one class or group, whereas the change must be made by the society as a whole. For instance, workmen's compensation laws are passed by representatives of the whole group, whereas they apply to only a special class in the whole group. Very probably if the whole group were made up exclusively of workers liable to injury in industry, there would not have been so long a delay in the adoption of such laws. Changes in the adaptive culture work at times for the interests of one group but against the interests of another group. A great many proposed reforms today are for the purpose of providing better adjustments for classes who are not the rich and powerful classes. Many of these proposed reforms, such as remedies for unemployment, cost money which must be raised by taxation or fall as a burden on the wealthier classes, who do not appear to derive a special benefit from them.

d) The closeness of contact with material culture. Another general reason why the adaptive portions of the non-material culture lag behind the changes in the material culture is the fact that the relationship between the adaptive culture and the material culture is not very close, but several steps removed. Thus the form of a city government is not so close to industry as the corporate organization of industry itself. And a general philosophy like the laissez faire doctrine is a little further removed from the machinery of industry than are labor policies. Governmental organizations would be expected to adjust themselves somewhat more slowly to industrial changes than organizations of labor and capital.

e) The connection of the adaptive culture with other parts of culture. Another cause of delay in the adjustments is the fact that the particular adaptive culture is sometimes correlated with some other part of the non-material culture. The mores of exploitation may be related to business in general as well as to a particular situation like forestry.

If exploitation continues a good policy in business though not in forestry, presumably exploitation in regard to forestry would be more difficult to change because the exploitation is a general policy which continues satisfactorily applicable to other parts of culture such as business.

f) Group valuations. Still another reason why some forms of non-material culture are slow to change appears to be the strong position they occupy in the valuations of the group. This is particularly true of morals, mores, and some customs. Customs become mores because of the strong approval of them as a policy by the group. The group decides that certain ways of doing things are right, and there is group pressure to enforce conformity. Thus the family, the Constitution of the United States, a political party, individualism, monogamy, all seem to be protected by a group pressure or approval which constitutes a distinct force operating at least for a time against modification. This is what is meant by the saying that institutionalism resists change.

4. THE SOCIALIZATION OF LAW[1]

A developed legal system is made up of two elements, a traditional element and an enacted or imperative element. Although at present the balance in our law is shifting gradually to the side of the enacted element, the traditional element is still by far the more important. In the first instance, we must rely upon it to meet all new problems, for the legislator acts only after they attract attention. But even after the legislator has acted, it is seldom if ever that his foresight extends to all the details of his problem or that he is able to do more than provide a broad, if not a crude, outline. Hence, even in the field of the enacted law, the traditional element of the legal system plays a chief part. We must rely upon it to fill the gaps in legislation, to develop the principles introduced by legislation, and to interpret them.

Moreover, a large field is always unappropriated by enactment, and here the traditional element is supreme. In this part of the law, fundamental ideas change slowly. The alterations wrought here and there by legislation, not always consistent with one another, do not produce a general advance. Indeed, they may be held back, at times, in the interests, real or supposed, of uniformity and consistency, through the influence of traditional element. It is obvious, therefore,

[1] Adapted with permission from Roscoe Pound, "Social Problems and the Courts," *American Journal of Sociology*, XVIII (1912–13), 334–38.

that above all else, the condition of the law depends upon the condition of this element of the legal system. If the traditional element of the law will not hear of new ethical ideas, or will not hear of the usages of the mercantile community, or will not hear of new economics or of the tenets of the modern social sciences, legislation will long beat its ineffectual wings in vain.

If, however, the causes of the backwardness of the law with respect to social problems and the unsocial attitude of the law toward questions of great import in the modern community are to be found in the traditional element of the legal system, the surest means of deliverance are to be found there also. The infusion of morals into the law through the development of equity was not an achievement of legislation, but the work of the courts. The absorption of the usages of merchants into the law was not brought about by statutes, but by judicial decisions. When once the current of juristic thought and judicial decision is turned into the new course, our Anglo-American method of judicial empiricism has always proved adequate.

There are many signs that fundamental changes are taking place in our legal system and that a shifting is in progress from the individualist justice of the nineteenth century, which has passed so significantly by the name of legal justice, to the social justice of today.

Six noteworthy changes in the law, which are in the spirit of recent ethics, recent philosophy, and recent political thought, may be referred to. First among these we may note limitations on the use of property, attempts to prevent the anti-social exercise of rights.

Second, we may note limitations upon freedom of contract, such as requirement of payment of wages in cash, regulations of hours and conditions of labor, and limitations upon the power of employers to restrain membership in unions. These have been matters of legislation. But our courts have taken the law of insurance practically out of the law of suretyship, and have established that the duties of public service companies are not contractual, flowing from agreements, but are quasi-contractual, flowing from the calling in which the public servant is engaged. Not merely in labor legislation, but in judicial decision with respect to public callings, the whole course of modern law is belying the famous individualist generalization of the nineteenth century that the growth of law is a progress from status to contract.

Third, we may note limitations on the power of disposing of property. These are chiefly legislative. Examples are the requirement in many states that the wife join in a conveyance of the family home; the statutes in some jurisdictions requiring the wife to join in a mortgage of household goods; the statute of Massachusetts requiring the wife to join in an assignment of the husband's wages.

Fourth, reference may be made to limitations upon the power of the creditor or injured party to secure satisfaction. In the United States, the homestead exemption statutes which prevail in so many states, and the personalty exemptions which in some states go so far as to exempt five hundred dollars to the head of the family, and usually make liberal exemptions of tools to the artisan, library to the professional man, animals and implements to the farmer, and wages to the head of a family, will serve as illustrations. There is a notable tendency in recent legislation and in recent discussion to insist, not that the debtor keep faith in all cases, even if it ruin him and his family, but that the creditor must take a risk also—either along with or even in some cases instead of, the debtor.

Fifth, there is a tendency to revive the primitive idea of liability without fault, not only in the form of wide responsibility for agencies employed, but in placing upon an enterprise the burden of repairing injuries incident to the undertaking without fault of him who conducts it. What Dean Ames called "the unmoral standard of acting at one's peril" is coming back into the law in the form of employers' liability and workmen's compensation. There is a strong and growing tendency, where there is no blame on either side, to ask, in view of the exigencies of social justice, who can best bear the loss.

Finally, recent legislation, and to some extent, judicial decision have begun to change the old attitude of the law with respect to dependent members of the household. Courts no longer make the natural rights of parents with respect to children the chief basis of their decisions. The individual interest of parents which used to be the one thing regarded has come to be almost the last thing regarded as compared with the interest of the child and the interest of society In other words, here also social interests are now chiefly regarded.

PROBLEMS

1. Much of our labor legislation has occurred comparatively recently. How do you explain this fact?
2. What concern has society in the status and progress of the worker?
3. "Most labor problems, so called, will be solved by letting competition work itself out." "To allow competition to settle our labor questions is to invite chaos." Discuss.
5. "Protection of the individual by the group may constitute a defense to individual liberty rather than an invasion of that right." Can this be true?

6. What meaning lies in the phrases: (*a*) "The Creed of the Individualist"; (*b*) "The Creed of the Collectivist"?
7. Do the following seem to be proper fields for state interference through law: (*a*) unemployment compensation, (*b*) wages, (*c*) hours of work, (*d*) housing conditions, (*e*) home work, (*f*) thrift, (*g*) hiring and firing workers, (*h*) morality among employees, (*i*) political freedom of workers, (*j*) blacklisting, (*k*) striking, (*l*) frequency of wage payment, (*m*) vocational guidance, (*n*) ventilation, (*o*) sickness insurance? What are your standards of judgment?
8. Is the interference of the state on an increasing scale proof of the fact that individual bargaining has no merits?
9. The state in the given case can take the following attitudes toward specific problems: (*a*) deal with evils piecemeal as they arise; (*b*) regulate everything, particularly industry; (*c*) try the individualistic solution which would draw a sharp line between the sphere of the individual and the sphere of the state; (*d*) adopt the theory of organic unity.
   Criticize each of these theories of state action.
10. "Laissez faire means free play to the doctrine of evolution. Under its régime the fittest will survive." Criticize.
11. Some people have said that our laws today are more applicable to eighteenth-century conditions than to those of the twentieth century. What bases are there for such criticism?
12. Granted that the employer possesses superior bargaining power does it necessarily follow that society should interfere to equalize the situation? As far as society is concerned are there evil consequences arising from unequal bargaining situations?
13. "Capital has been relieved of many of its risks; the worker is left to shift for himself." Is this a proper characterization?
14. "The labor market stands out as a startling example of an unorganized market. Commodity markets are highly organized." Grant the truth of the above, is it a matter of social concern?
15. What is the justification for a law providing that machinery should be safeguarded?
16. A state passes a law that employees shall be paid their wages at least each second week. How do you justify such legislative interference?
17. Should a state concern itself with attempting to secure decency and morality among employees through legislation?
18. Should compulsory or optional laws be the basis of legislation in the fields of workmen's compensation and minimum wages for women? Why?
19. How do you account for the fact that the United States has not concerned itself with sickness insurance to the degree certain foreign countries have?

20. "If we are to control our industrial problems, we must control population." Do you agree?
21. Do you agree with the statement that American workers will not be class-conscious until misery is more widespread? Why, or why not?
22. Would social action promise more if workers belonged to a single and not to many groups? What are the advantages of a group or class viewpoint?
23. How do the following facts make it difficult for the community to devise methods of control when problems arise: (*a*) the presence of large immigrant groups; (*b*) wage-earning versus employing classes; (*c*) agricultural versus distributing groups; (*d*) educated versus uneducated groups.
24. How do you account for the fact that the attitude toward child labor among certain communities in the South tends to differ from that of many communities in the North?
25. Among the factors influencing the course of action the community takes are, (*a*) morality, (*b*) education, (*c*) ceremony, (*d*) fashion, (*e*) tradition, (*f*) sympathy, (*g*) custom, (*h*), sense of justice, (*i*) the crowd, (*j*) the law, (*k*) public opinion, (*l*) suggestion, (*m*) religion.
   Try to enlarge this list and weigh the influence of each factor.
26. "Back of community action in a given case lies the entire social heritage of the community." What content is there in the phrase "the social heritage of the community"? What has this social heritage to do with community action?
27. How do communities develop standards and ideals? How do you account for varying standards and ideals in different communities?
28. Who are the more powerful in determining the course of legislation and what makes them powerful: (*a*) graduate students engaged in research in the field of industrial relations; (*b*) members of governmental investigating committees; (*c*) a United States senator; (*d*) an employer of many workers; (*e*) a labor leader; (*f*) social service workers?
29. Distinguish between public opinion, advertising, and propaganda as means and forms of social control.
30. "The newspapers are common carriers." How valid is this statement?
31. "Informal social control is necessary to formal social control." Criticize. Can you cite instances?

CHAPTER XXVII

PROTECTIVE LEGISLATION

1. INTRODUCTION[1]

It was the belief of the classical economists and their followers that the state should keep its hands off industry and that all parties should be free to bargain as they saw fit. This belief was due in part to a revolt against the detailed, exacting, and often vicious regulations of the state when swayed by the mercantilistic theory; it was due in part to a belief in a beneficent order of nature in which it was necessary only to allow men to do as they wished and all would be well. (This was expressed by Adam Smith when he said that men in seeking their own interest were "led as by an invisible hand" to promote the interest of all.) It was due in part (in its later stages) to a reluctance to imperil the success of manufacturing and commerce then rapidly growing in extent and power.

The abuses of the factory system, however, showed that the right of free contract was not sufficient to protect the worker and that frightful abuses in woman, child, and even adult male labor necessarily resulted. After much pressure from the humanitarians, effective factory legislation began to be passed in the 1830's and 40's in England, although some legislation had been passed previously. This legislation was opposed by many of the economists and by many Liberals who believed in individualism, such as John Bright. In the United States, labor legislation has been slower to develop than in any other industrial country. This has been partially due to the fact that it has been only comparatively recently that we have become so largely industrial and that we still tend to retain our belief in the economic equality of all persons and their ability to bargain freely, effectively, and on equal terms, which is roughly the case in an era of domestic production or in an agricultural stage of society. Another cause is that our system of government with its delegated powers to the national government and all residual powers residing in the states, makes legislation far more difficult than in other countries with a stronger central government. It becomes exceedingly difficult to secure effective legislation by the forty-eight separate states, particularly under the fear of inter-state competition.

[1] Prepared.

Despite all these difficulties, however, the public mind has slowly come to believe that a certain regulation of work by the state is necessary to protect society itself from the evils which flow from an unregulated wage contract only in turn to find time and again that the courts have so interpreted the various constitutions of the states and national government to limit and nullify the legislation which the public has deemed desirable and necessary. Thus the 5th and 14th amendments of the national Constitution prohibit the national and state government, respectively, from depriving a person of life, liberty, or property without due process of law, and the 14th amendment of the national Constitution provides that no state shall deprive any person within its jurisdiction of the equal protection of the laws.

Intended as these constitutional provisions were to be safeguards against unfair and arbitrary action on the part of legislatures, it is an open question whether they have not resulted in many cases in tying the community effectively to the prevailing practices of the past and hindering innovation while a rapidly changing technology has produced constantly changing problems calling for social action.

2. CHILD-LABOR LEGISLATION

a) EARLY FACTORY LEGISLATION AFFECTING CHILDREN[1]

The first modern factory law dealt with the hours of children in British cotton mills. Beginning about 1760 people ceased to spin and weave entirely by hand, but took up the manufacture of cloth by power-driven machinery in large factories. In this transformation, which lies at the foundation of all our modern industry, many pauper children were apprenticed to the owners of the cotton factories. Philanthropists soon noticed that these children were miserably treated, overworked, and given no chance for education. An act, passed by the English Parliament in 1802, among other provisions, limited their hours to twelve a day. Inadequate as this standard now seems, it marks the beginning of the long line of special laws limiting the hours during which young workers may be employed.

The first such law in the United States was passed by Massachusetts in 1842, and established a ten-hour day for all children under twelve working in factories. Along with forbidding all work for wages

[1] Taken with permission from J. B. Andrews, *Labor Problems and Labor Legislation*, pp. 46–50. (New York City: American Association for Labor Legislation, 1919.)

by children under a certain age, provisions restricting the hours of the youngest workers have been developed, until today there is general agreement that legislation, at the very least, besides keeping children under fourteen out of the factory and in the school-room, should prevent night work by all boys and girls under sixteen and limit their working hours to eight. Beginning with Illinois in 1903, this standard has been reached by about half the states, including the majority of those of industrial importance. Of the remaining states, about half have nine-hour laws for children and the rest allow a work-day of ten hours or more. In some of the southern cotton-mill states, however, it is legal for children to work at night and eleven hours a day, and such poor laws as exist are reported not to be well enforced.

[*Other regulation of child labor.*—It should not be thought from the foregoing that 14 years is the universal minimum age for child labor. Certain qualifications are to be noted:

(*a*) Children in agriculture can be employed below this age. Children in the street trades were not affected by the federal law and only half of the states have legislation on this subject. The prevailing age set for these trades is 12 rather than 14 years. Certain other states have a higher general minimum than 14. Ohio, for example, has a 15 year limit for boys and a 16 year limit for girls while Michigan has a general 15 year minimum.

(*b*) In addition to the minimum age of 14 for entrance to factory work, many states place a minimum age of 16 for certain more dangerous positions such as cleaning machinery, etc., and some states place a minimum of 18 for extra-hazardous employments such as work in mines, blast furnaces, etc. Certain other states have a minimum of 18 or even 20 for night messenger service or other morally dangerous work.

(*c*) A number of states require a definite minimum of education in addition to the age qualification before allowing children to work. About half of the states require the ability to read and write English. Nearly half require the completion of the eighth grade.

(*d*) Within the past few years a series of continuation school acts have been passed by the states until at present 19 states require children from 14 to 16 and in some cases from 14 to 18 to attend school from 4 to 8 hours weekly. This time is to be deducted from their working time and is not in addition to it.

(*e*) Practically all the states regulate the hours which children are legally allowed to work once they are employed. The majority of

industrial states limit the hours to 8 per day while other states have a 9 hour maximum and the remainder 10 hours or more. These limitations usually apply to all occupations except domestic service, agriculture, and frequently canneries.—ED.]

b) CHILD LABOR IN THE UNITED STATES[1]

How Many Children in the United States Are at Work?

In the United States in January, 1920, over one million (1,060,858) children 10 to 15 years of age, inclusive, were reported by census enumerators as "engaged in gainful occupations." This number was approximately one-twelfth of the total number (12,502,582) of children of that age in the entire country. About two-thirds of them were boys and one-third girls. *The number of child workers 10 to 13 years of age, inclusive, was 378,063.* The census does not report the number of working children under 10 years of age, but it is known that such children are employed in large numbers in agriculture, and in smaller numbers in many other occupations such as street trading, domestic service, and industrial home work.

In What Occupations Are Children Engaged?

For working children under 14 (i.e., "10 to 13 years, inclusive") the proportions in January, 1920, were roughly as follows: Farms: 329,000, 87 per cent; Factories: 9,500, 2.5 per cent; Stores: 17,000, 4.6 per cent; Clerical: 7,000, 1.8 per cent; Domestic service: 12,000, 3.2 per cent.

In What Sections of the Country Are the Largest Numbers of Children at Work?

Child labor is confined to one section of the country. The proportion of employed children to the total child population 10 to 15 years of age, inclusive, ranged *from 3 per cent in the three Pacific Coast States to 17 per cent in the East South Central States*, comprising Kentucky, Tennessee, Alabama, and Mississippi. In Mississippi more than one-fourth of all the children 10 to 15 years of age were at work; in Alabama and in South Carolina, 24 per cent; in Georgia, 21 per cent; and in Arkansas, 19 per cent. Of the New England States, Rhode Island had the largest proportion of employed children, 13 per cent.

[1] Adapted from *U.S. Department of Labor, Children's Bureau* (November, 1922), pp. 5–19.

Is the Number of Children at Work Decreasing?

The 1920 Census reported only 8.5 per cent of all children 10 to 15 years of age, inclusive, to be at work, as compared with 18.4 per cent in 1910. This is a decrease of 46.7 per cent for children under 16, and a decrease of 57.8 per cent for children under 14. However, most of this decrease is apparent rather than real. In the first place, most of it (84.5 per cent) is due to the reported decrease of the number of children engaged in farm work—which is directly explicable by the change of the Census date since 1910 from April 15, a busy season for farming, to January 1, the dullest possible season. In the second place, January, 1920, marked the beginning of a period of general industrial depression which has since ceased. And in the third place, in January, 1920, the Federal Child-labor Tax law was still in effect.

c) FEDERAL CHILD-LABOR LAW OF 1916[1]

[NOTE: The United States Child Labor Act in question prohibited, with a few exceptions, the shipment in foreign or interstate commerce of any products if within thirty days prior to their movement children under the age of fourteen (sixteen years in mining and quarrying) had been employed to work more than eight hours in any day or more than six days in any week, or after the hour of 7:00 P.M., or before the hour of 6:00 A.M. A test case was brought and on August 31, 1917, the act was declared unconstitutional.—ED.]

MR. JUSTICE DAY: The power essential to the passage of this act, the Government contends, is found in the commerce clause of the Constitution which authorizes Congress to regulate commerce with foreign nations and among the States.

The thing intended to be accomplished by this statute is the denial of the facilities of interstate commerce to those manufacturers in the States who employ children within the prohibited ages. The act in its effect does not regulate transportation among the States, but aims to standardize the ages at which children may be employed in mining and manufacturing within the States. The goods shipped are of themselves harmless. The act permits them to be freely shipped after 30 days from the time of their removal from the factory. When offered for shipment, and before transportation begins, the labor of their production is over, and the mere fact that they were intended for

[1] *Hammer* vs. *Dagenhart, et al.*, 247 U.S. 251.

interstate commerce transportation does not make their production subject to Federal control under the commerce power.

Over interstate transportation or its incidents, the regulatory power of Congress is ample, but the production of articles, intended for interstate commerce, is a matter of local regulation.

The grant of power to Congress over the subject of interstate commerce was to enable it to regulate such commerce, and not to give it authority to control the States in their exercise of the police power over local trade and manufacture.

In interpreting the Constitution it must never be forgotten that the Nation is made up of States to which are entrusted the powers of local government. To sustain this statute would not be in our judgment a recognition of the lawful exertion of congressional authority over interstate commerce, but would sanction an invasion by the Federal power of the control of a matter purely local in its character, and over which no authority has been delegated to Congress in conferring the power to regulate commerce among the States.

In our view the necessary effect of this act is, by means of a prohibition against the movement in interstate commerce of ordinary commercial commodities to regulate the hours of labor of children in factories and mines within the States, a purely State authority. Thus the act in a two-fold sense is repugnant to the Constitution. It not only transcends the authority delegated to Congress over commerce but also exerts a power as to a purely local matter to which the Federal authority does not extend.

d) FEDERAL CHILD-LABOR LAW OF 1919[1]

[NOTE: The substance of the law is given in the court's opinion.—ED.]

MR. CHIEF JUSTICE TAFT: This case presents the question of the constitutional validity of the Child Labor Tax Law.

The law is attacked on the ground that it is a regulation of the employment of child labor in the states—an exclusively state function under the Federal Constitution and within the reservations of the 10th Amendment. It is defended on the ground that it is a mere excise tax, levied by the Congress of the United States under its broad power of taxation conferred by section 8, article 1, of the Federal Constitution. Does this law impose a tax with only that incidental restraint

[1] *Bailey* v. *Drexel Furniture Company*, 259 U.S. 20.

and regulation which a tax must inevitably involve? Or does it regulate by the use of the so-called tax as a penalty? It provides a heavy exaction for a departure from a detailed and specified course of conduct in business. That course of business is that employers shall employ in mines and quarries, children of an age greater than sixteen years; in mills and factories, children of an age greater than fourteen years; and shall prevent children of less than sixteen years in mills and factories from working more than eight hours a day or six days in the week. If an employer departs from this prescribed course of business, he is to pay to the government one tenth of his entire net income in the business for a full year. The amount is not to be proportioned in any degree to the extent or frequency of the departures, but is to be paid by the employer in full measure whether he employs five hundred children for a year, or employs only one for a day. Moreover, if he does not know the child is within the named age limit, he is not to pay; that is to say, it is only where he knowingly departs from the prescribed course that payment is to be exacted. Scienters are associated with penalties, not with taxes. The employer's factory is to be subject to inspection at any time not only by the taxing officers of the Treasury, the Department normally charged with the collection of taxes, but also by the Secretary of Labor and his subordinates, whose normal function is the advancement and protection of the welfare of the workers. In the light of these features of the act, a court must be blind not to see that the so-called tax is imposed to stop the employment of children within the age limits prescribed. Its prohibitionary and regulatory effect and purpose are palpable.

It is the high duty and function of this court in cases regularly brought to its bar to decline to recognize or enforce seeming laws of Congress, dealing with subjects not intrusted to Congress, but left or committed by the supreme law of the land to the control of the states. We cannot avoid the duty even though it require us to refuse to give effect to legislation designed to promote the highest good. The good sought in unconstitutional legislation is an insidious feature because it leads citizens and legislators of good purpose to promote it without thought of the serious breach it will make in the ark of our covenant, or the harm which will come from breaking down recognized standards.

In connection with Selection 3 following, *see also* chapter x, Part Three, "Women's Work and Wages."

3. PROTECTION OF WOMEN IN INDUSTRY

a) CLASSIFICATION OF PROTECTIVE LAWS[1]

Factory legislation, as first conceived, was to apply only to those who were not free agents, namely to children. True, the married woman was not legally a free agent, but she was struggling for emancipation, which eventually came, and the female sex as such labored under no disabilities. Prominent economists urged that the state had no business to dictate to the adult woman the terms of her employment. But the exclusion of woman from underground mines paved the way for her subjection to state control, and the act of 1844 put her in the same class with children and young persons. The separate and distinct treatment of women thus became an established feature of English factory legislation.

A brief survey of the American legislation for the protection of women in industry reveals the following types of statutes:

1. Those which provide that no person shall be precluded from any lawful occupation on account of sex. A statute of this kind can at most have the effect of removing some supposed bar existing by virtue of law custom. The statute of Illinois was in fact the consequence of a decision of the supreme court of that state which denied a woman a license to practise law, and against which the Supreme Court of the United States has been appealed to in vain. The incorporation of the principle into the constitution may, on the other hand, prove an embarrassment in the way of carrying out other protective policies.

2. Those which bar women from certain employments altogether. It is noteworthy that only five days after removing the disabilities of sex with reference to employment in general, Illinois prohibited the labor of women in coal mines and the same prohibition is now found in the principal mining states (Wyoming).

3. Statutes which prohibit the employment of women in cleaning machinery while in motion, or in work between moving parts of machinery, is found in Missouri and West Virginia.

4. Statutes which compel the provision of sanitary and other conveniences for females in industrial or mercantile establishments. Beside certain obvious requirements in the interest of decency, par-

[1] Adapted with permission from Ernst Freund, "The Constitutional Aspect of the Protection of Women in Industry," *Proceedings of the Academy of Political Science* (October, 1910), pp. 162–75.

ticular mention should be made of the legislation found in the great majority of states, under which seats must be provided for female employes and their use permitted when the women are not engaged in active duty.

5. Statutes which prohibit night work in various kinds of industrial establishments. They are to be found in about a half dozen states (New York, Connecticut, Indiana, Massachusetts, Missouri, Nebraska).

6. Statutes which in other respects limit the hours of labor of female employees.

7. Minimum wage laws.

b) HOUR LEGISLATION FOR WOMEN

i. The Progress of Hour Legislation[1]

At the present time 42 of the 48 states place some restriction upon the number of hours per week which a woman can legally work. Many of these have placed limits of from eight to nine hours a day while the majority have a weekly limit of less than sixty hours. Night work however is forbidden to women by only 12 states. The legal issues that have arisen in connection with the passage of such laws by the state legislatures are somewhat as follows: (*a*) Does not such a law abridge the right of a working-woman to work longer hours than those allowed should she wish to do so? Is it not therefore a deprivation of the right of disposing of her own labor without "due process of law"? (*b*) Is it not class legislation since it denies her opportunities extended to male employees? (*c*) Is this offset by the damage done to the women and to society if they should work extra hours? If so, such an act can be justified as a legitimate use of the police power of the state.

The most important cases which illustrate the clash of these divergent principles are:

1. The Massachusetts Ten Hour Law of 1875: The Massachusetts Supreme Court upheld this law in 1876 stating briefly that the legislature had regarded factory work as "somewhat" dangerous to health and therefore the act was justified under the police power.

2. The Illinois Eight Hour Law of 1895: In the twenty years intervening between 1875 and 1895 the doctrine of the complete freedom of contract between labor and capital had been developed by the courts as well as the belief that the right to dispose of one's labor was a property right which according to the fourteenth amendment was

[1] Prepared.

not to be abridged without "due process of law." The Illinois Supreme Court in 1895 (*Ritchie* vs. *People*), following this line of reasoning, declared the eight hour law for women in factories to be unconstitutional. The court ruled that there was "no fair, just and reasonable connection between such limitation and the public health, safety, and welfare proposed to be secured by it."

3. The Oregon Ten Hour Law: In 1908 the United States Supreme Court upheld the constitutionality of the Oregon ten hour law for women declaring that: "As healthy mothers are essential to vigorous offspring, the physical well-being of women becomes an object of public interest and care in order to preserve the strength and vigor of the race. . . . . The limitations which this statute imposes upon her contractual powers, upon her right to agree with her employer as to the time when she shall labor are not imposed solely for her benefit but also for the benefit of all." A feature of the case was the brief prepared in defense of the legislation by Mr. Louis Brandeis and Miss Josephine Goldmark which emphasized not so much the legal aspects of the case but presented a mass of scientific evidence showing the actual effects of excessive working hours upon the health of women. This brief was epoch-making in its emphasis upon facts as a basis for correct determination of legal and social policy.

4. The Illinois Ten Hour Act of 1909: In 1909 Illinois passed another act limiting the hours of women's labor, this time to ten hours, and the Illinois Supreme Court reversed its decision and found there was a clear connection between the regulation of hours of labor and public health. "What we know as men, we cannot profess to be ignorant of as judges," declared the court.

5. The California Eight Hour Law Case: The two preceding decisions established the constitutionality of the ten hour day for women. It remained for the United States Supreme Court in 1915 to establish the constitutionality of the eight hour day when it upheld the California Act. The court said the same principles were involved as in the previous cases and declared that while "a limitation of the hours of women might be pushed to a wholly indefensible extreme, there is no ground for the conclusion that the limit of the reasonable exertion of protective authority has been overstepped."

6. Night Work Case: Although an International Conference had drafted a convention in 1906 by which fourteen European countries agreed to abolish night work in 1907, the New York Court of Appeals declared such an act unconstitutional as an invasion of the right of

free contract, and as unconnected with the promotion of health. This decision has made legislatures reluctant to pass night work laws although the New York Court unanimously reversed its attitude in 1913 as a result of another scientific brief presented by Mr. Brandeis in defense of the new night work law. The question of night work has not yet been passed on by the United States Supreme Court.

ii. The Status and the Collective Bargaining Arguments for Hour Legislation[1]

In America the sanitary or hygienic argument in the movement for limitation of hours of female labor in factories was prominent from the beginning. The legislation in Massachusetts enacted in 1874 had been preceded by official investigations and reports concerning the detrimental effect of long hours upon the constitution of women.

In the earlier judicial decisions sustaining the ten-hour laws for women the existence of this special danger and need was rather assumed than supported by evidence. The argument for the Oregon law before the Supreme Court of the United States for the first time laid all stress . . . . upon the documentary testimony which had been accumulated in scientific treatises . . . . marshalling medical, social and economic, instead of legal authorities.

In upholding the Oregon 10-hour law, however, the Supreme Court of the United States, instead of planting its decision squarely upon the facts presented in the brief for the state of Oregon, mingles considerations drawn from physical conditions with others resting upon the general status of the female sex in such a way as to give an apparent preponderance to the latter. The court, speaking through Mr. Justice Brewer, said:

"Still, again, history discloses the fact the woman has always been dependent upon man. He established his control at the outset by superior physical strength, and his control in various forms, with diminishing intensity, has continued to the present. As minors, though not to the same extent, she has been looked upon in the courts as needing especial care that her rights may be preserved. The two sexes differ in structure of body, in the capacity for long-continued labor, particularly when done standing, the influence of vigorous health upon the future well-being of the race, the self-reliance which enables one to assert full rights, and in the capacity to maintain the

[1] Adapted with permission from Ernst Freund, "The Constitutional Aspects of the Protection of Women in Industry," *Proceedings of the Academy of Political Science* (October, 1910), pp. 162–75.

struggle for subsistence. This difference justifies a difference in legislation and upholds that which is designed to compensate for some of the burdens which rest upon her."

There is another argument in favor of a larger state interference with the freedom of contract in the case of women than in that of men, which has received little attention, but seems to deserve consideration.

The whole doctrine of freedom of contract is based upon a theory of constitutional equality which is frequently belied by the facts. What saves the theory from being altogether a fiction, is the possibility of contracting on something like equal terms through the power of collective bargaining. *The doctrine of freedom of contract stands and falls with the efficacy of the organization of labor.* If for any reason, such organization is impossible or ineffective, the right of the state to exert its power cannot in reason be disputed.

In the past, women workers have been greatly inferior to men in the power of effective organization. It remains to be seen whether this inferiority will be permanent. Considering the fact that most women enter industrial work as a temporary occupation which they expect to give up for matrimony, and that the care of the household and family is still regarded as their normal and proper function, it is not surprising that there should be much less opportunity and inducement for organization among women than among men. And if this should prove to be a necessary limitation, it would constitute a justification for the exercise of state control, which in the case of men may be found to be absent or to be confined to particular employments.

4. HOUR LEGISLATION FOR MEN

a) LOCHNER *v.* NEW YORK[1]

[NOTE: A New York statute forbade any employee in a bakery or confectionery establishment to be permitted to work over 60 hours in any one week, or an average of over 10 hours a day for the number of days such employees should work. Lochner was convicted in the county court of violating this statute in the city of Utica, and the conviction was affirmed on appeal by the Appellate Division and by the Court of Appeals of the state, which remanded the case to the original court for further proceedings.—ED.]

The question whether this act is valid as a labor law, pure and simple, may be dismissed in a few words. There is no reasonable ground for interfering with the liberty of person or the right of free

[1] Supreme Court of United States, 1905. 198 U.S. 45, 25 Sup. Ct. 539.

contract, by determining the hours of labor, in the occupation of a baker. There is no contention that bakers as a class are not equal in intelligence and capacity to men in other trades or manual occupations, or that they are not able to assert their rights and care for themselves without the protecting arm of the state, interfering with their independence of judgment and of action. They are in no sense wards of the state. The law must be upheld, if at all, as a law pertaining to the health of the individual engaged in the occupation of a baker. It does not affect any other portion of the public than those who are engaged in that occupation. Clean and wholesome bread does not depend upon whether the baker works but ten hours per day or only sixty hours a week.

We think the limit of the police power has been reached and passed in this case. There is, in our judgment, no reasonable foundation for holding this to be necessary or appropriate as a health law to safeguard the public health, or the health of the individuals who are following the trade of a baker. If this statute be valid there would seem to be no length to which legislation of this nature might not go.

We think that there can be no fair doubt that the trade of a baker, in and of itself, is not an unhealthy one to that degree which would authorize the legislature to interfere with the right of labor, and the right of free contract. In looking through statistics regarding all trades and occupations, it may be true that the trade of a baker does not appear to be as healthy as some other trades, and is also vastly more healthy than still others. To the common understanding the trade of a baker has never been regarded as an unhealthy one. Very likely physicians would not recommend the exercise of that or of any other trade as a remedy for ill health. Some occupations are more healthy than others, but we think there are none which might not come under the power of the legislature to supervise and control the hours of working therein, if the mere fact that the occupation is not absolutely and perfectly healthy is to confer the right upon the legislative department of the government. It might be safely affirmed that almost all occupations more or less affect the health. There must be more than the mere fact of the possible existence of some small amount of unhealthiness to warrant legislative interference with liberty. It is unfortunately true that labor, even in any department, may possibly carry with it the seeds of unhealthiness. But are we all, on that account, at the mercy of legislative majorities? A printer, a tinsmith, a locksmith, a carpenter, a cabinetmaker, a dry goods clerk, a bank's, a lawyer's, or a physician's clerk, or a clerk in almost any kind of business, would all come under the power of the legislature, on this assumption. No trade, no occupation, no mode of earning one's living, could escape this all-pervading power, and the acts of the legislature in limiting the hours of labor in all employment would be valid, although such limitation might seriously cripple the ability of the laborer to support himself and his family.

In our large cities there are many buildings into which the sun penetrates for but a short time each day, and these buildings are occupied by people carrying on the business of bankers, brokers, lawyers, real estate, and many other kinds of business, aided by many clerks, messengers, and other employees. Upon the assumption of the validity of this act under review, it is not possible to say that an act, prohibiting lawyers' or bank clerks, or others, from contracting to labor for their employers more than eight hours a day would be invalid. It might be said that it is unhealthy to work more than that number of hours in an apartment lighted by artificial light during the working hours of the day; that the occupation of the bank clerk, the lawyer's clerk, the real-estate clerk, or the broker's clerk, in such offices is therefore unhealthy and the legislature, in its paternal wisdom, must, therefore, have the right to legislate on the subject of, and to limit, the hours for such labor; and, if it exercises that power, and its validity be questioned, it is sufficient to say, it has reference to the public health; it has reference to the health of the employees condemned to labor day after day in buildings where the sun never shines; it is a health law, and therefore it is valid, and cannot be questioned by the courts.

It is also urged, pursuing the same line of argument, that it is to the interest of the state that its population should be strong and robust, and therefore any legislation which may be said to tend to make people healthy must be valid as health laws, enacted under the police power. If this be a valid argument and a justification for this kind of legislation, it follows that the protection of the federal constitution from undue interference with liberty of person and freedom of contract is visionary, wherever the law is sought to be justified as a valid exercise of the police power. Scarcely any law but might find shelter under such assumptions, and conduct, properly so called, as well as contract, would come under the restrictive sway of the legislature. Not only the hours of employees, but the hours of employers, could be regulated, and doctors, lawyers, scientists, all professional men, as

well as athletes and artisans, could be forbidden to fatigue their brains and bodies by prolonged hours of exercise, lest the fighting strength of the state be impaired. We mention these extreme cases because the contention is extreme.

We do not believe in the soundness of the views which uphold this law. On the contrary, we think that such a law as this, although passed in the assumed exercise of the police power, and as relating to the public health, or the health of the employees named, is not within that power, and is invalid. The act is not, within any fair meaning of the term, a health law, but is an illegal interference with the rights of individuals, both employers and employees, to make contracts regarding labor upon such terms as they may think best, or which they may agree upon with the other parties to such contracts. Statutes of the nature of that under review, limiting the hours in which grown and intelligent men may labor to earn their living, are mere meddlesome interferences with the rights of the individual and they are not saved from condemnation by the claim that they are passed in the exercise of the police power and upon the subject of the health of the individual whose rights are interfered with, unless there be some fair ground, reasonable in and of itself, to say that there is material danger to the public health, or to the health of the employees, if the hours of labor are not curtailed.

It was further urged on the argument that restricting the hours of labor in the case of bakers was valid because it tended to cleanliness on the part of the workers, as a man was more apt to be cleanly when not overworked, and if cleanly then his "output" was also more likely to be so. The connection, if any exist, is too shadowy and thin to build any argument for the interference of the legislature. If the man works ten hours a day it is all right, but if ten and a half or eleven his health is in danger and his bread may be unhealthful, and, therefore, he shall not be permitted to do it. This, we think, is unreasonable and entirely arbitrary. . . . . It seems to us that the real object and purpose were simply to regulate the hours of labor between the master and his employees (all being men, *sui juris*), in a private business, not dangerous in any degree to morals, or in any real and substantial degree to the health of the employees. Under such circumstances the freedom of master and employee to contract with each other in relation to their employment, and in defining the same, cannot be prohibited or interfered with, without violating the federal Constitution.

Judgment reversed.

Mr. Justice Harlan (with whom concurred White and Day, JJ.), dissenting: I find it impossible, in view of common experience, to say that there is here no real or substantial relation between the means employed by the state and the end sought to be accomplished by its legislation.

We judicially know that the question of the number of hours during which a workman should continuously labor has been, for a long period, and is yet, a subject of serious consideration among civilized peoples, and by those having special knowledge of the laws of health. Suppose the statute prohibited labor in bakery and confectionery establishments in excess of eighteen hours each day. No one, I take it, could dispute the power of the state to enact such a statute. But the statute before us does not embrace extreme or exceptional cases. It may be said to occupy a middle ground in respect of the hours of labor. What is the true ground for the state to take between legitimate protection, by legislation, of the public health and liberty of contract is not a question easily solved, nor one in respect of which there is or can be absolute certainty. There are very few, if any, questions in political economy about which entire certainty may be predicted.

I do not stop to consider whether any particular view of this economic question presents the sounder theory. What the precise facts are it may be difficult to say. It is enough for the determination of this case, and it is enough for this court to know, that the question is one about which there is room for debate and for an honest difference of opinion. There are many reasons of a weighty, substantial character, based upon the experience of mankind, in support of the theory that, all things considered, more than ten hours' steady work each day, from week to week, in bakery or confectionery establishment, may endanger the health and shorten the lives of the workmen, thereby diminishing their physical and mental capacity to serve the state and to provide for those dependent upon them.

If such reasons exist, that ought to be the end of this case, for the state is not amenable to the judiciary, in respect of its legislative enactments, unless such enactments are plainly, palpably, beyond all question, inconsistent with the Constitution of the United States.

Mr. Justice Holmes, dissenting: This case is decided upon an economic theory which a large part of the country does not entertain. If it were a question whether I agreed with that theory, I should desire to study it further and long before making up my mind. But I do

not conceive that to be my duty, because I strongly believe that my agreement or disagreement has nothing to do with the right of a majority to embody their opinions in law. It is settled by various decisions of this court that state Constitutions and state laws may regulate life in many ways which we as legislators might think as injudicious, or if you like as tyrannical, as this, and which, equally with this, interfere with the liberty to contract. Sunday laws and usury laws are ancient examples. A more modern one is the prohibition of lotteries. The liberty of the citizen to do as he likes so long as he does not interfere with the liberty of others to do the same, which has been a shibboleth for some well-known writers, is interfered with by school laws, by the post-office, by every state of municipal institution which takes his money for purposes thought desirable, whether he likes it or not.

The fourteenth amendment does not enact Mr. Herbert Spencer's *Social Statics*. The other day we sustained the Massachusetts vaccination law, and state statutes and decisions cutting down the liberty to contract by way of combination are familiar to this court. Two years ago we upheld the prohibition of sales of stock on margins, or for future delivery, in the Constitution of California. The decision sustaining an eight-hour law for miners is still recent (*Holden* v. *Hardy*). Some of these laws embody convictions or prejudices which judges are likely to share. Some may not. But a constitution is not intended to embody a particular economic theory, whether of paternalism and the organic relation of the citizen to the state or of laissez faire. It is made for people of fundamentally differing views, and the accident of our finding certain opinions natural and familiar, or novel, and even shocking, ought not to conclude our judgment upon the question whether statutes embodying them conflict with the Constitution of the United States.

General propositions do not decide concrete cases. The decision will depend on a judgment or intuition more subtle than any articulate major premise. But I think that the proposition just stated, if it is accepted, will carry us far toward the end. Every opinion tends to become a law. I think that the word "liberty," in the fourteenth amendment, is perverted when it is held to prevent the natural outcome of a dominant opinion, unless it can be said that a rational and fair man necessarily would admit that the statute proposed would infringe fundamental principles as they have been understood by the traditions of our people and our law. It does not need research to show that no such sweeping condemnation can be passed upon the

statute before us. A reasonable man might think it a proper measure on the score of health. Men whom I certainly could not pronounce unreasonable would uphold it as a first installment of a general regulation of the hours of work. Whether in the latter aspect it would be open to the charge of inequality I think it unnecessary to discuss.

b) HOLDEN *v.* HARDY[1]

[NOTE: A Utah statute forbade the employment of workmen over eight hours a day in any underground mine, or in any smelter or other institution for reducing or refining ores, except in cases of emergency imminently dangerous to life or property. Holden was convicted in a justice's court in Salt Lake County of violating both prohibitions of this statute, and petitioned the state Supreme Court for a writ of habeas corpus to discharge him from the sheriff's custody upon each conviction. From a denial of this application he took his writ of error to the Supreme Court of Utah.—ED.]

In passing upon the validity of state legislation under the fourteenth amendment, this court has not failed to recognize the fact that the law is, to a certain extent, a progressive science; that, in some of the states, methods of procedure which, at the time the constitution was adopted, were deemed essential to safety have been found to be no longer necessary; that restrictions which had formerly been laid upon the conduct of individuals, or of classes of individuals, had proved detrimental to their interests, while, upon the other hand, certain other classes of persons (particularly those engaged in dangerous or unhealthful employments) have been found to be in need of additional protection.

Of course, it is impossible to forecast the character or extent of these changes; but in view of the fact that, from the day Magna Charta was signed to the present moment, amendments to the structure of the law have been made with increasing frequency, it is impossible to suppose that they will not continue, and the law be forced to adapt itself to new conditions of society and particularly to the new relations between employers and employes, as they arise.

Recognizing the difficulty in defining with exactness the phrase "due process of law," it is certain that these words imply a conformity with natural and inherent principles of justice, and forbid that one man's property, or right to property, shall be taken for the benefit of another, or for the benefit of the state, without compensation, and

[1] Supreme Court of United States, 1898. 169 U.S. 366, 18 Sup. Ct. 383, 42 L. Ed. 780.

that no one shall be condemned in his person or property without an opportunity of being heard in his own defense.

This right of contract, however, is itself subject to certain limitations which the state may lawfully impose in the exercise of its police powers. While this power is inherent in all governments, it has doubtless been greatly expanded in its application during the past century, owing to an enormous increase in the number of occupations which are dangerous or so far detrimental to the health of employes as to demand special precautions for their well being and protection, or the safety of adjacent property. While this court has held that the police power cannot be put forward as an excuse for oppressive and unjust legislation, it may be lawfully resorted to for the purpose of preserving the public health, safety, or morals, or the abatement of public nuisances, and a large discretion "is necessarily vested in the legislature, to determine, not only what the interests of the public require, but what measures are necessary for the protection of such interests."

While the business of mining coal and manufacturing iron began in Pennsylvania as early as 1716, and in Virginia, North Carolina, and Massachusetts even earlier than this, both mining and manufacturing were carried on in such a limited way, and by such primitive methods, that no special laws were considered necessary, prior to the adoption of the constitution, for the protection of the operatives; but, in the vast proportions which these industries have since assumed, it has been found that they can no longer be carried on, with due regard to the safety and health of those engaged in them, without special protection against the dangers necessarily incident to these employments. In consequence of this, laws have been enacted in most of the states designed to meet these exigencies, and to secure the safety of persons peculiarly exposed to these dangers. Within this general category are ordinances providing for fire escapes for hotels, theaters, factories, and other large buildings; a municipal inspection of boilers; and appliances designed to secure passengers upon railways and steamboats against the dangers necessarily incident to these methods of transportation. In states where manufacturing is carried on to a large extent, provision is made for the protection of dangerous machinery against accidental contact; for the cleanliness and ventilation of working rooms; for the guarding of well holes, stairways, elevator shafts; and for the employment of sanitary appliances. In others, where mining is the principal industry, special provision is made for the shore up of dangerous walls;

for ventilation shafts, bore holes, escapement shafts, means of signaling the surface; for the supply of fresh air, and the elimination, as far as possible, of dangerous gases; for safe means of hoisting and lowering cages; for a limitation upon the number of persons permitted to enter a cage; that cages shall be covered; and that there shall be fences and gates around the top of shafts, besides other similar precautions.

But, if it be within the power of a legislature to adopt such means for the protection of the lives of its citizens, it is difficult to see why precaution may not also be adopted for the protection of their health and morals. It is as much for the interest of the state that the public health should be preserved as that life should be made secure. With this end in view, quarantine laws have been enacted in most, if not all, of the states; insane asylums, public hospitals, and institutions for the care and education of the blind have been established; and special measures taken for the exclusion of infected cattle, rags, and decayed fruit. In other states laws have been enacted limiting the hours during which women and children shall be employed in factories.

Upon the principles above stated, we think the act in question may be sustained as a valid exercise of the police power of the state. The enactment does not profess to limit the hours of all workmen, but merely those who are employed in underground mines, or in the smelting, reduction, or refining of ores or metals. These employments, when too long pursued, the legislature has judged to be detrimental to the health of the employes; and so long as there are reasonable grounds for believing that this is so, its decision upon this subject cannot be reviewed by the federal courts.

While the general experience of mankind may justify us in believing that men may engage in ordinary employments more than eight hours per day without injury to their health, it does not follow that labor for the same length of time is innocuous when carried on beneath the surface of the earth, where the operative is deprived of fresh air and sunlight, and is frequently subjected to foul atmosphere and a very high temperature, or to the influence of noxious gases generated by the processes of refining or smelting.

The legislature has also recognized the fact, which the experience of legislators in many states has corroborated, that the proprietors of these establishments and their operatives do not stand upon an equality, and that their interests are, to a certain extent, conflicting. The former naturally desire to obtain as much labor as possible from their employes, while the latter are often induced by the fear of dis-

charge to conform to regulation which their judgment, fairly exercised, would pronounce to be detrimental to their health or strength. In other words, the proprietors lay down the rules and the laborers are practically constrained to obey them. In such cases self-interest is often an unsafe guide, and the legislature may properly interpose its authority.

Judgment affirmed.

5. A CASE FOR GENERAL HOUR LEGISLATION

a) THE OREGON TEN-HOUR CASE, DEFENDANT'S BRIEF[1]

Statute.—The pertinent provisions of the statute in question are as follows:

"Section 1.—It is the public policy of the State of Oregon that no person shall be hired, nor permitted to work for wages, under any conditions or terms for longer hours or days of service than is consistent with his health and physical well-being and ability to promote the general welfare by his increasing usefulness as a healthy and intelligent citizen. It is hereby declared that the working of any person more than ten hours in one day, in any mill, factory, or manufacturing establishment is injurious to the physical health and well-being of such persons, and tends to prevent him from acquiring that degree of intelligence that is necessary to make him a useful and desirable citizen of the State.

"Section 2.—No person shall be employed in any mill, factory or manufacturing establishment in this State more than ten hours in any one day, except watchmen and employees when engaged in making necessary repairs, or in case of emergency, where life or property is in imminent danger; *provided, however,* employees may work overtime not to exceed three hours in any one day, conditioned that payment be made for said overtime at the rate of time and one-half the regular wage." (*General Laws of Oregon,* 1913, chap. 102, p. 169.)

The Issue.—The sole question presented is whether this Oregon ten hour law is unconstitutional because in conflict with the Fourteenth Amendment.

Argument.—The issue presents the familiar case of application and delimitation of accepted principles. The assertion by a state of its police power is challenged by the claim of "liberty" as safeguarded by the Fourteenth Amendment.

[1] Adapted from "The Case for the Shorter Work Day" Supreme Court of the United States, October Term, 1915; the Oregon ten-hour law was later upheld.

Now therefore the field within which the police power may be exercised must be ascertained by specific cases, and not bounded by speculation.

The question is no longer can the state regulate the hours of labor in modern industry, but what evils are manifest, what remedies are available that present a reasonable field for legislative action.

Thus in *Holden* v. *Hardy* it is stated: "The question in each case is whether the legislature has adopted the statute in exercise of a reasonable discretion, or whether its action be mere excuse for an unjust discrimination, or the expression, or spoliation of a particular class."

On the other hand, in *Lochner* v. *New York,* the state authority in the specific instance was denied because no reasonable relation was discernible to the majority of the court between a ten hour law for bakers and the public welfare. This judgment was based upon a view of the nature of the baker's employment beyond ten hours as known "to the common understanding." It is now clear that "common understanding" is a treacherous criterion. The subject is one for scientific scrutiny and critique. Particularly in the last decade science has been giving us the basis for judgment by experience, to which, when furnished, judgment by speculation must yield.

It is to this body of experience that the court's attention is invited. It is a mass of data that, partly, was not presented in cases like *Lochner* v. *New York,* but mostly could not have been before the Court, because it was not heretofore in existence. Inasmuch as the application of the contending principles must vary with the facts to which they are sought to be applied, of course, new facts are the indispensable basis to the determination of the validity of specific new legislation. This attitude was strikingly enforced by the New York Court of Appeals, when called upon recently to pass on the validity of legislation which it had previously, for lack of adequate data, failed to sustain. "There is no reason why we should be reluctant to give effect to new and additional knowledge upon such a subject as this even if it did lead us to take a different view of such a vastly important question as that of public health or disease than formerly prevailed." (*People* v. *Charles Schweinler Press.* 214 N.Y. 395, 412.)

The knowledge obtained by the increasing study of industrial conditions is back of the state's policy, as expressed by the legislature, and sustained by the courts of Oregon. These are facts of common knowledge of which this Court will take judicial note.

These facts, we submit, conclusively establish that Oregon was exercising a reasonable judgment as to the public welfare in passing its ten hour law.

b) BASIS FOR GENERAL HOUR LEGISLATION[1]

The following propositions suggest themselves as a possible basis for legislation limiting hours of labor for adult employees where there are neither urgent considerations of health nor any danger to public safety as a consequence of decreased efficiency due to excessive fatigue:

(1) We should not claim, in view of recognized limitations and in view of the universal practice of legislation in other countries as well as in this, any unlimited power of the state to dictate hours of labor any more than to dictate the rate of wages or other economic terms of the labor contract.

(2) Under present conditions even an eight-hour day established by law would probably constitute an unwarranted invasion of the constitutional liberty of private action, and since such a proposition is for the time being not seriously put forward by any one it need not be further considered.

(3) On the other hand, a law establishing one day of rest in seven would find a perfect warrant in our present Sunday laws, the validity of which is recognized everywhere, for such a law would merely carry into effect the policy of Sunday legislation, and Sunday legislation differs from eight-hour legislation in that it merely protects and enforces customary standards, and does not invade recognized canons of freedom but conserves them.

(4) In order to justify a legislative limitation of the work day it should be possible to find a basis similar in principle to that underlying the existing limitation of the working week. As a matter of fact such limitation can be found in the statistics furnished by the United States government. As early as ten years ago they demonstrated the fact that a nation-wide custom had established a normal maximum work day in industry and that maximum was ten hours. The branches of industry in which that maximum is exceeded are relatively few and they suggest conditions which must, in some way or other, be either wrong or exceptional. The basis of constitutional legislation is thus clearly indicated. Like the one day rest in seven, the ten-hour day would not impose new standards but would enforce and protect customary standards.

[1] Taken with permission from Ernst Freund, "Constitutional Aspects of Hour Legislation for Men," *American Labor Legislation Review*, March, 1914, pp. 129–31.

(5) Like the one day of rest in seven a ten-hour law could be made general, thus steering clear of the danger of class legislation. The necessities of life and business, however, would call for relaxations of the general requirement in proper cases, in one law as well as in the other. The exceptions from the Sunday law have been expressed in such indefinite terms—works of charity and necessity—that the effective administration of the law has been seriously impaired and the problem of discovering a satisfactory and impartial formula for exceptions is the chief difficulty in the present one day of rest in seven movement. Similar difficulties will have to be confronted in providing for the exceptions to the ten-hour day.

(6) The necessary exceptions from the maximum of ten hours will probably have to be established in two ways: first, by excluding certain categories of employment entirely and, second, by making exceptions for other special classes of industry dependent upon findings of fact and administrative orders subject to judicial review. While the statute should indicate the guiding principles to be observed in granting exceptions, it should admit of flexible rulings, the main purpose of which would be to provide for the gradual introduction of the normal day, where the same, under present industrial conditions, is impracticable.

(7) The plan of legislation thus outlined is probably the safest from the point of view of present constitutional doctrine and of the probable attitude of the courts, for the freedom of private action would not be unduly interfered with by the impositions of new standards. The principle of selection would be divested of any arbitrariness and there would be every practicable guaranty of bringing about substantial justice in the relations between employer and employee. Even though a perfect solution might not be found immediately for every conceivable case the plan would be sufficiently flexible to allow revision of the conclusions until a satisfactory result was reached. A law of this type would not make impossible demands upon legislative foresight and circumspection, while, on the other hand, action would not be stayed off indefinitely upon the plea of the impossibility of finding an adequate solution for every difficulty at one and the same time. While it is true that such legislation would require a somewhat higher type of administrative organization than most states have as yet developed for dealing with labor problems, yet the time is rapidly approaching when additional administrative organization and power will be called for in any event for the handling of other phases of labor legislation.

6. ECONOMIC THEORIES OF THE MINIMUM WAGE

[NOTE: For actual wages paid in industry see chapters ix and x, Part Three.—ED.]

a) THE MINIMUM WAGE AND UNEMPLOYMENT: AN UNFAVORABLE VIEW[1]

Practical tests of the proposed policy of legally fixing minimum wages are now in progress in Australia and New Zealand, in England, and in our own State of Massachusetts; but a few things can be asserted in advance as necessarily true. The passing of a law certainly cannot conjure into existence a fund of new wealth from which the additional wages can be drawn. We can be sure, without further testing, that raising the prices of goods will, in the absence of counteracting influences, reduce sales; and that raising the rate of wages will, of itself and in the absence of any new demand for labor, lessen the number of workers employed. The real issue is whether industry can be made to yield these rates.

The rate of wages that can be paid is limited by the specific productivity of labor. The man A must be worth to his employer what he gets, and so must B, C, and D. The total product of the business as a whole is not the basis of the payment, but the part of that total which is due to the presence of particular individuals. Only when his specific product equals his specific pay can he expect to continue in the employment.

Of the employers some get large returns, some small ones, and some none; and a certain number are always getting a minus quantity and are on the ragged edge of failure. There is no available way of drawing on the returns of the successful employers to make up a fund to increase the wages paid by the unsuccessful ones.

Again, we cannot tax the product of efficient workers and make over the proceeds to the inefficient. Unless the employees A, B, and C are worth to their employer six dollars a week, we cannot make him pay them that amount, even though D, E, and F are worth seven dollars. The employer who is enjoined from paying less than seven to any one will do the assorting which his interest impels him to do and keep only those who are personally worth what he has to pay them. Finally, we cannot make an employer pay to a force that in mere number is large as high wages per capita as he could afford to

[1] Adapted with permission from John Bates Clark, "The Minimum Wage," *Atlantic Monthly* (1913), pp. 289–94.

pay to a smaller force. If we compel the owner of a factory to pay more than he can pay to his persent force, he will reduce it till he can afford to pay the higher rate to the persons who remain.

For these reasons, a forcible raising of the rate of wages for workers of the lowest grade will lessen the number employed. Some producers who can barely run their factories at present will drop out of the ranks. Some of the workers who produce barely enough to hold their places even under successful employers will drop out. Some establishments that can afford to keep a large number of workers at a certain rate of pay will find it for their interest to keep a somewhat smaller number when the rate is made higher. How great the effect of any one of these influences will be, no one can predict with confidence, but what can be asserted with entire confidence is that the higher the obligatory rate of pay, the larger will be the number of persons remanded to idleness.

Even though the discharged workers could make themselves personally as competent as other members of the force, they could not be reemployed, since that would put an end to the scarcity of labor, and, by mere increase of supply, reduce the value of the individual laborer to his employer.

If the discharged workers were in a position to wait for ultimate changes, they might have their recompense for suffering in the interim; but asking them to rely on this is asking that they satisfy the hunger of the present with the bread of the future.

b) THE MINIMUM WAGE AND PARASITIC INDUSTRIES: A FAVORABLE VIEW[1]

The principal question for the economist to consider is how the adoption and enforcement of a definite minimum of wages in particular trades is likely to affect, both immediately and in the long run, the productivity of those trades, and of the nation's industry as a whole. If the employer cannot go below a common minimum rate, and is unable to grade the other conditions of employment down to the level of the lowest and most necessitous wage earner in his establishment, he is economically impelled to do his utmost to raise the level of efficiency of his workers, so as to get the best possible return for the fixed conditions.

[1] Adapted with permission from Sidney Webb, "The Economic Theory of a Legal Minimum Wage," *Journal of Political Economy* (December, 1912), pp. 977–78, 984–90.

The minimum wage tends steadily to drive business into those establishments which are most favorably situated, best equipped, and managed with the greatest ability, and to eliminate the incompetent or old-fashioned employer. It perpetually stimulates the selection of the most efficient workmen, the best equipped employers, and the most advantageous forms of industry. And these results are permanent and cumulative.

When an employer, without imparting any adequate instruction in a skilled craft, gets his work done by boys and girls who live with their parents and work practically for pocket money, he is clearly receiving a subsidy or bounty, which gives his process an economic advantage over those worked by fully paid labor. But this is not all. Even if he pays the boys and girls a wage sufficient to cover the cost of their food, clothing, and lodging so long as they are in their teens, and dismisses them as soon as they become adults, he is in the same case. For the cost of boys and girls to the community includes not only their daily bread between thirteen and twenty-one, but also their nurture from birth to the age of beginning work, and their maintenance as adult citizens and parents. If a trade is carried on entirely by the labor of boys and girls, and is supplied with successive relays who are dismissed as soon as they become adults, the mere fact that the employers pay what seems a subsistence wage to the young people does not prevent the trade from being economically parasitic.

But there is a far more vicious form of parasitism. If the employers in a particular trade are able to take such advantage of the necessities of their work people as to hire them for wages actually insufficient to provide enough food, clothing, and shelter to maintain them permanently in average health; if they are able to work them for hours so long as to deprive them of adequate rest and recreation; or if they can subject them to conditions so dangerous or insanitary as positively to shorten their lives, that trade is clearly obtaining a supply of labor force which it does not pay for. If the workers thus used up were horses, the employers would have to provide, in addition to the daily modicum of food, shelter, and rest, the whole cost of breeding and training the successive relays necessary to keep up their establishments. In the case of free human beings, who are not purchased by the employer, this capital value of the new generation of workers is placed gratuitously at his disposal, on payment merely of subsistence from day to day. In thus deteriorating the physique, intelligence, and character of their operatives, such trades are drawing on the capital stock of the nation.

The mere fact that employers are at present paying lower wages than the proposed minimum is no proof that the labor is not "worth" more to them and to the customers; for the wages of the lowest grade of labor are fixed, not by the "worth," in any sense, but largely by the urgent necessities of the "marginal" man, or, rather, the "marginal" woman. It may well be that, rather than go without the particular commodity produced, the community would willingly pay much more for it, and yet consume as much or nearly as much of it, as it now does. Nevertheless, so long as the wage earner can be squeezed down to a subsistence wage, or, more correctly, a parasitic wage, the pressure of competition will compel the employer so to squeeze him, whether the consumer desires it or not.

7. THE MINIMUM WAGE IN OPERATION

a) HISTORY OF THE MINIMUM WAGE IN AMERICA[1]

Characteristics of the First Minimum Wage Legislation, Australian and British

The origin of minimum wage legislation is to be sought not in this country, but in England and Australia. Familiar as this fact is, its significance appears to have escaped popular attention. The first rudimentary organs of minimum wage administration were the District Conciliation Boards of New Zealand, established in 1894 for the compulsory arbitration of labor disputes. Incidental to their general duty of so supervising and directing collective bargaining as to preserve industrial peace, they were given authority to fix minimum wages. The first independent wage-fixing agencies were, however, created two years later in the state of Victoria in Australia. They were called Special Boards, and were at first established experimentally for certain notoriously sweated trades that employed *both men and women*. These boards were composed of an equal number of employers and employees, with a chairman from outside nominated by both parties. They were given no explicit criterion to go upon in framing their wage awards, but were apparently expected to argue out their difficulties in true collective bargaining style, under the supervision of the disinterested outsider, their chairman, who was to represent the public interest.

So successful was this system that it was extended to more and more trades, was adopted by other Australian states, and finally, in 1909, by England. The essence of the system is the free discussion

[1] Adapted with permission from Dorothy W. Douglas, "American Minimum Wage Laws at Work," *American Economic Review* (1919), pp. 701–38.

of wage standards, by the authorized representatives of both sides, with the aid and criticism of one or more impartial outsiders; the fixing, by this responsible bi-partisan group, of standards that were thereupon compulsory upon all employers in the industry; and the reservation by the government of power to suspend or otherwise mitigate rulings that appear positively unfair or inexpedient. No *definite cost-of-living criterion is set up.* The level of the standards finally fixed will rather depend upon the general temper of the community in which the law is operative and upon the respective bargaining power of the two sides. Thus in Australia, a young and rather radical country, with labor relatively scarce and powerfully organized, the tendency has been for the wages fixed to equal or even exceed the minimum necessary for livelihood; while in England, with its cautious public and overstocked labor market, the tendency, especially in the first years of the law's administration, has been in the opposite direction: the wages fixed, although well in advance of previous rates for the trades concerned, have been, as a rule, avowedly below the subsistence minimum.

Growth of American Legislation: The Massachusetts and Oregon Principles Contrasted

Such was the status of minimum wage legislation when it was first seriously considered by this country in 1911. In that year the Massachusetts legislature passed a resolve requesting the governor to appoint an investigating commission "to study the matter of wages of women and minors, and to report on the advisability of establishing . . . . [wage] boards. . . . ." This Commission on Minimum Wage Boards submitted an excellent report together with the draft of a bill which, with certain important modifications, was thereupon enacted into law.

In its original form this Massachusetts bill followed the British and Australia system as closely as American constitutional limitations permitted; but these limitations were of the greatest importance.

(1) The American law could apply only to women and minors, since if it were extended to men it would most certainly (in the present state of American public opinion) be held by the courts to run counter to the "freedom of contract" clause of the fourteenth amendment.

(2) The American law must beware of delegating legislative functions to an administrative agency. It must therefore clearly define: (*a*) the conditions under which an industry should fall within the scope of the wage commission at all; (*b*) the criteria upon which wage awards were to be rendered; (*c*) the exact relation of board to commission. Since the commission was the permanent supervisory body, the only safe course was, obviously, to centralize all ultimate responsibility in its hands.

The essential features of the Massachusetts bill were accordingly as follows: (1) It provided for a permanent appointive commission, with power: (*a*) "to inquire into the wages paid to the female employees in any occupation in the Commonwealth if the commission has reason to believe that the wages paid to a substantial number of such employees are *inadequate to supply the necessary cost of living and to maintain the worker in health*"; (*b*) thereupon to "establish a wage board consisting of *not less than* six representatives of employers in the occupation in question, of an equal number of representatives of the female employees . . . . and of *one* or *more* disinterested persons . . . . to represent the public . . . ."; and (*c*) upon the receipt of a report from the board to "approve any or all of the determinations recommended . . . . or [to] recommit the subject to the same or to a new wage board." Once approved the rates were to be rendered obligatory, after due notice and public hearing, by a formal order of the commission effective in sixty days. Violation of the order constituted a misdeamenor punishable by fine and imprisonment. (2) The basis of wage determination by the boards was made explicitly the double one of cost-of-living plus financial-condition-of-the-business, with the business considerations evidently taking the priority: "Each Wage Board shall take into consideration the *needs of the employees*, the financial condition of the occupation and the probable effect thereon of any increase in the minimum wage paid, and shall endeavor to determine the minimum wage . . . . suitable for a female of ordinary ability. . . . ." Apparently it was presupposed that the "suitable" wage finally reached would commonly be below the actual cost of subsistence. Such a view is borne out by the cautious words of the investigating commission's report: "It is the opinion of this commission . . . . that in all these industries the wage scale *will stand* a readjustment of rates that will raise the lowest wages to *something nearer* the living wage. . . . ."

Even so careful a statute was, however, unable to run the gauntlet of the Massachusetts legislature. Before its final passage the bill was shorn of its most vital portion, the section on enforcement. The "orders" of the commission were changed to mere "recommendations," and the penalty of fine and imprisonment to mere adverse

publicity. The recalcitrant employer in Massachusetts is now faced with nothing worse than the publication of his name in certain newspapers; and even this penalty he can avoid if he can prove before a court that "compliance with the recommendations of the commission would render it impossible for him to conduct his business *at a reasonable profit.*" Profits, in other words, are avowedly made a "first charge" upon the business.

The weaknesses of this earliest of American minimum wages laws may accordingly be summed up as follows, under the three heads of principle of wage determination, character of wage-fixing agency, and method of enforcement.

A. *Principle of wage determination.* Women (normal, experienced, adult women) shall receive wages just high enough to keep them alive and physically well, *provided* their doing so does not threaten to interfere either with the general financial prosperity of the trade or with the "reasonable profits" of an individual employer.

B. The *agency* for the immediate carrying out of these principles is a large mixed board of employers and employees, with in no case more than one fifth of the total membership representing the disinterested public.

C. The sole *means of enforcement* is in the indirect pressure of public opinion. Boards and commissions therefore know beforehand that any ruling that threatens to prove burdensome to the individual employer can safely be disobeyed, that anything approaching drastic action will tend to defeat its own ends.

In view of all these limitations it is surprising to find how much has been accomplished in Massachusetts. The mere focusing of attention upon the problem of wages and livelihood appears to have sufficed materially to raise the wages in many submerged trades. The usual process is for the board to thresh out what they agree to be a minimum subsistence budget, and then to see how close they think they can come to that without infringing upon the "financial condition of the business" or (what amounts to the same thing) without incurring wholesale violation of their decree. Usually the wage finally agreed upon lags about a dollar behind the original budget; while this in turn has usually omitted or cut down below the subsistence level a good many necessary items; even so, the minimum is usually a distinct advance over previous rates. Thus in the brush industry, the first to be investigated, the original budget came to $8.71; the legal "suitable" rate was established at 15½ cents an hour, which allowed the average worker to earn about $7.00, but previous average earnings had been

below $6.00. The percentage of violations at the end of the first year was gratifyingly low, and has been reported to be decreasing since.

The example of Massachusetts so encouraged progressive groups in various parts of the Union that in the following year eight other states passed minimum wage laws. Of these by far the most important is Oregon's. It has served as a model for the bulk of our subsequent legislation, and may fairly be contrasted with the original Massachusetts statute as showing the growing definiteness and articulateness of the living wage idea.[1]

The Oregon law provides for a central administrative commission and subsidiary boards appointed by it after the Massachusetts fashion, working through the orthodox machinery of public hearings and private investigations and conferences; but this machinery is to be used for strictly living wage ends. Section 1 reads: "*It shall be unlawful to employ women in any occupation . . . . for wages which are inadequate to supply the necessary cost of living and to maintain them in health* and it shall be unlawful to employ minors . . . . for unreasonably low wages."

Boards and commissions alike are given no other criterion of wage fixing than this simple and explicit one of the "necessary cost of lifing." No mention is made anywhere of suitability, expediency, or the financial conditions of the industry; instead, in every paragraph the cost-of-living basis is repeated in identical words.

Once the recommendations of a board have been approved by the commission, they are issued as obligatory orders, binding within sixty days upon every employer in the industry, regardless of his difficulties in meeting them; disobedience is punishable by heavy fine and imprisonment. Moreover, the personnel of the subsidiary boards (here called conferences) is so arranged that impartial decisions are more easily rendered: the whole board is smaller, the representatives of the public have a larger share of the membership, and every board has at least one member of the central commission sitting officially on it. In all these ways the double-standard, collective bargaining, idea—the official balancing of opposing interests—would seem to have given way before that of the living wage pure and simple.

It may well be asked, What could have caused so radical a change in legal principle in one short year? The answer is probably twofold. On the one hand, Oregon is a western state, with more radical views

[1] Recently a bill to make the orders of the commission mandatory has been placed before the Massachusetts legislature.—Ed.

in regard to industry, a relatively small number of women employees, and a radical method of legislation—the minimum wage was an initiative measure. On the other hand, Oregon had the advantage of being the second state to pass such a law: she already had the solid precedent of Massachusetts to go upon; and, since American constitutionalism required the wage-fixing basis to be quite definite in any case, it became relatively easy for the Oregon advocates to insist upon sloughing off the "double-faced" and apparently mercenary elements of the older law.

Of the thirteen statutes that have followed Massachusetts and Oregon, nine may be said roughly to copy the Oregon model, one the Massachusetts model, while three have to be put into a separate category as flat-rate laws.

Chronologically the laws run as follows:

1912—Massachusetts.

1913—California, Colorado (on the Massachusetts model, now obsolete), Minnesota, Nebraska, Oregon, Utah (flat rate law), Washington, Wisconsin.

1915—Arkansas (flat-rate law, with commission), Kansas.

1917—Arizona (flat-rate law), Colorado (new law, on the Oregon model, but never put into effect—no appropriations).

1918—District of Columbia (declared unconstitutional by the D. of C. Court of Appeals, Nov., 1922; still in operation pending hearing before the Federal Supreme Court).

1919—North Dakota, Texas, Porto Rico (Texas law repealed in 1921).

The gap in legislation that occurred during 1915–1917 was due to long-drawn litigation in the Oregon case. The law was finally upheld by a divided opinion of the Federal Supreme Court—Justice Brandeis, as previous counsel for the defense, not voting.

Flat-rate laws. The flat-rate laws differ from both the earlier models in that they operate, not through commissions, but through direct fiat of the statute itself. The different rates for experienced adults, learners, and minors are set once and for all in the body of the law, and apply uniformly throughout the state to all industries specified. The advantages of flat-rate legislation are that it (1) avoids the constitutional difficulty of delegation of powers, and (2) is extremely simple and cheap to administer. Its overwhelming disadvantage is of course its lack of flexibility.[1] In Arizona, Arkansas, and Utah the basic flat rates are still $9 and $10 a week.

[1] In Arkansas this is partly obviated by the appointment of a commission empowered to alter the rates.

Practical Difficulties in Wage-Setting

a) The problem of an adequate original wage.—When it comes actually to fixing a "living wage," American boards (i.e. the subsidiary boards under the commission) are confronted with a whole series of difficulties. In the first place, whatever may be said in the language of the statute itself, every board member knows that in practice the representatives of the employers and all who sympathize with them are bound to take the condition of the industry itself into consideration. What else, indeed, are they there for? If the object of the law were merely to establish an abstractly scientific standard of living for each employee, regardless of its reaction upon conditions of employment and trade in general, why work through representative boards at all? Why not merely have a central executive commission or, better still, a single paid expert whose duty it would be to adjust well-established family standards (such as those issued by the United States Bureau of Labor Statistics) to local conditions and the needs of the single woman, revising these standards at appropriate intervals as the cost of living went up or down? In practice everyone knows that minimum-wage legislation is as yet in a tentative stage, that public opinion is by no means "solid" behind it, and that the work of conciliating and bringing into co-operative relations the members of all parties represented on a board is still by no means the least of its functions.

In the second place, the representatives of the employees (themselves, as a rule, working women) are seldom of a caliber at all comparable to that of the other two groups.

Finally, all three groups (the employees of course especially) are apt to be woefully untrained in the handling of budget material.

The following quotations from representatives of minimum-wage commissions may help to illustrate the bargaining character of boards. The award of $13.20 was really a compromise between the employers and employees who served on the conference, the former having recommended $12 and the latter $15 (Washington).

> We consider that our minimum wage is very low. However, it was as much as the employers on our Board would concede (Kansas).

> The employees were lacking in initiative because of their fear of the employers (Minnesota).

> In the final session, with only members of the board present, the wage question is always a struggle . . . . and when it gets to the "bargaining"

point (which it always has), the Commission should insist on the "cost of living."

b) The time element: difficulties in revising rates.—One of the discouraging things about minimum-rate making is that during a period of rapidly changing prices, such as we have had ever since our first American wage laws went into effect, it takes a very short time for a rate to become antiquated. When that happens it is difficult to get the commission to act—to start afresh on the weary round of investigations and hearings and orders. On the other hand, if the original survey has been inexact, any revision based in the main on these previous findings will incorporate their errors.

Recommendations for the Future

1. First and foremost among our needs is undoubtedly that of a clear, unequivocal basic standard of living for the working woman, a standard that shall take account of the whole range of her necessities, not only day by day but year by year. For this we should have a standard budget, formulated preferably by our federal Bureau of Labor Statistics, revised by them periodically in accordance with changes in the cost of living and adjustable by local boards and commissions to local conditions.

2. To reduce this budget to terms of weekly wage rate, we must have (*a*) a clear-cut policy on the part of boards and commissions that the "living wage" shall mean a "living income" the year round; (*b*) more accurate information by these bodies as to local irregularities of employment; (*c*) a simple method of advancing hourly rates by "irregularity differentials" whenever trades or individual establishments fail to provide full time work.

3. A necessary corollary to such a full living standard would be the extension of our special provisions for sub-standard workers. (*a*) For defectives, who would now of course include the mentally incapable, the double system of individual licensing plus limitation of numbers in any one establishment might well be revised to include a third element, namely, the selection of a series of specially "approved" occupations, in which such workers could be allowed to congregate without limit; each plant in the "approved" list being subject to special supervision by the commission—all defective workers meanwhile, whether working in an "approved" establishment or at large, to be inspected and relicensed periodically. (*b*) For inexperienced workers and minors we need a more scientific series of statewide "rock-bottom" minimums, graded according to age; and above these, a series of specially adjusted apprentice minimums that should be as varied as the trades they represent. That is, it should be left to the discretion of the commission and boards whether for a given trade there should be any distinction at all between the comparatively new and the old hand, or between the youthful and the adult; and if there should, just what ought to be their relative rates of advance. The number of apprentices allowed in any one establishment should doubtless continue to be limited.

A Flexible Standard

Next only to the need for a standard that shall be adequate at the outset, is the need for a greater flexibility in its application. I have already pointed out the need for (1) more rapid revision of established rates in times of sudden price changes, and have suggested that for specified periods of a year or so the commissions be given ad interim power to revise existing rates. They could readily do this in accordance with the cost-of-living index numbers which the Bureau of Labor Statistics could furnish them. Two other devices for increasing flexibility are, however, no less important. These are (2) the forestalling of bad wage conditions that are as yet only apprehended, by empowering the commission to issue rulings, for trades that may at the time still be on a living basis; and (3) the easing off of radical advances for the employer by permitting the commission under exceptional circumstances to distribute the scheduled advance in wages over a specified period.

Both these innovations have recently (1918) been introduced into the British law, and are of great significance: the anticipation of low wages is especially valuable in a time of sudden oversupply of labor such as has occurred in many industries since the close of the war; while the gradual application of certain rates is sure to become a practical necessity as the living-wage idea becomes more firmly established and radical advances grow more common. Where some compromise with purely financial considerations appears inevitable, this form is infinitely preferable to the current one (of setting up a final rate that is sub-standard), since this proposed device is self-remedying and deceives no one.

Centralization of Administrative Responsibility

Finally we need a greater concentration of power and of the responsibility that goes with it if our commissions are to operate effectively in the larger industrial states. The writer has already pointed

out the advantages that accrue from (1) empowering the commission upon occasion to overrule the advice of the boards and (2) giving the executive officer of the commission a voting membership on both the boards and the commission itself. The combination of these two devices should go far toward helping to organize the information at the commission's disposal and bringing it to bear impartially upon the formation of a consistent policy.

b) EFFECTS OF THE MINIMUM WAGE IN CANADA[1]

1. The British Columbia statistics throw light upon the question as to whether the "minimum tends to become the maximum." In the mercantile occupation the average in 1920 is shown to have been $3.19 in excess of the minimum weekly wage, among the laundry workers the average was $1.58 above the minimum, in manufacturing $2.64, in public housekeeping $2.58, and in office employments $4.43. It is therefore apparent that the minimum wage has not tended to become the maximum.

2. Has the minimum wage decreased the disparity in pay between the lower and higher grade workers? The writers have analyzed the British Columbia statistics for 1918 and 1919 for the mercantile and laundry industries and have found that there was much less variation in earnings (at least as far as the middle half[2] of the cases were concerned) after the minimum wage had been put into effect than previously. The relative variation in the mercantile industry of the middle half[2] of the cases in 1919 was approximately one-half of the variation in 1918, and in the laundry trade it was much less than one-half. Little doubt can exist therefore of the tendency of the minimum wage in British Columbia, by leveling up the wages of the more poorly paid workers, to bring about a greater degree of standardization and uniformity in wages than would otherwise exist.

3. Finally, the figures show quite conclusively that there was not a substitution of minors for adults. In each industry, with the exception of the mercantile trade, the percentage of juveniles decreased. This was true even of manufacturing, where the Board finally set no wage minimums for those under eighteen.

[1] Adapted with permission from K. Derry and P. H. Douglas, "The Minimum Wage in Canada," *Journal of Political Economy* (April, 1922), pp. 169–71.

[2] I.e., ranging the cases in order from the lowest to the highest, and discarding the lowest quarter and the highest quarter of them.

c) OPERATION OF THE BRITISH TRADE BOARDS ACT OF 1918[1]

In the year 1885 and the succeeding years, public attention was directed to the evils of "sweating" in industry, that is to say, to the unfair exploitation by unscrupulous employers of the necessities of the poorer and more helpless class of workers by requiring them to work for wages inadequate to their needs or for excessive hours or under insanitary conditions.

In 1908, a Report to the Home Department on the Working of the Wages Board in Australia and New Zealand and a report by a Select Committee of the House of Commons on Home Work, led to the passing of the Trade Boards Act of 1909.

Trade Boards Act, 1909.—The distinguishing features of this Act were, (1) that it was applicable only to trades in which wages were "exceptionally low"; (2) that in the trades to which the Act applied minimum rates of wages were to be fixed by a body composed of representatives of employers and employed in equal numbers with the addition of some independent persons called "appointed members"; and (3) that the rates when fixed and made obligatory were to be enforceable by the machinery of the criminal law.

In addition to the four trades mentioned in the Act, four more were added by Provisional Order in the year 1913. The Boards in fixing minimum rates displayed care and prudence, and the effect of their operations was gradually to remove from the trades concerned the reproach of "sweating," and (so far as the evidence shows) without injury to those engaged in the industries or to the consumer.

In the year 1917, the Whitley Committee recommended that in those industries in which there existed little or no organization the machinery of the Trade Boards Act should be applied "pending the development of such degree of organization as would render possible the establishment of a National Council or District Councils."

Trade Boards Act, 1918.—The issue of this and other recommendations was followed by the passing of the Trade Boards Act, 1918. By that statute the Act of 1909 was amended in certain respects, of which the most important are the following:

1. The power given by the Act of 1909 to the Board of Trade to make a Provisional Order applying the Act to a new trade was made exercisable by Special Order of the Minister of Labour without confirmation by Parliament.

[1] Adapted from the *Report to the Minister of Labour of the Committee of Enquiry into the Working and Effects of the Trade Boards Acts* (April, 1922), pp. 5–23.

2. The Minister was authorized to make such an Order, not (as in the original Act) if he was "satisfied that the rate of wages prevailing in any branch of the trade is exceptionally low as compared with that in other employments" but if he was "of opinion that no adequate machinery exists for the effective regulation of wages throughout the trade and that accordingly, having regard to the rates of wages prevailing in the trade or any part of the trade, it is expedient that the principal Act should apply to that trade."

3. The period of six months during which a rate was not to be made obligatory under the original Act was abolished and rates fixed by a Board were to become obligatory on a date fixed by the Minister in his Order of Confirmation.

The Act does not in express terms give effect to the suggestions of the Whitley Committee as to the substitution for Trade Boards of Joint Standing Industrial Councils in cases where organization has improved; but it empowers the Minister, if he is of opinion that the conditions of trade have been so altered as to make the application of the Act unnecessary, to make an Order withdrawing the trade from the operation of the Act.

Effect of the Act of 1918.—The passing of the Act of 1918 was followed by a large increase in the numbers of Trade Boards bringing the total on the 31st of December, 1921, up to sixty-three. The Acts have now been applied to trades employing about 3,000,000 workers, of whom about 70 per cent are women.

The new Act also produced a considerable development in the exercise of the rate-fixing powers of the Boards, for the circumstance that a Board could now be formed for a trade, not only when the wages prevailing in the trade were "exceptionally low," but in any case where no adequate machinery existed for the effective regulation of wages, was taken as an invitation *to use the Boards less as instruments for the prevention of "sweating" than as machinery for the general regulation of wages in the trades concerned.* Thus of the 37 British Boards whose rates were in operation on the 31st December, 1921, all but 41 had fixed different time-rates for different classes of male workers, and all but 18 had fixed different time-rates for different classes of female workers.

Some of the wage-scales adopted by the Boards are of an elaborate character, as in the case of the Brush and Broom trade Board where there are about 1500 different piece-rate items. It is admitted that in some instances the rate fixed as a minimum has been, not a minimum, but the current rate of wages paid under existing trade agreements; and cases have been brought to our notice in which a Board has not really considered the question of minima at all, but has been content to adopt and make compulsory a scale of wages agreed upon by the organizations of employers and workmen outside the boardroom.

The movement of Trade Board wages during and for some time after the war was almost uniformly upwards, and during that period the complaints were few; but in the year 1920, trade became depressed, and it was found that reductions of the wage scales fixed by Trade Boards were often resisted by the workers, and even when assented to could not be legalized without a delay of some months. Thereupon dissatisfaction ensued and under these conditions we were requested to enquire into the working of the Trade Board legislation.

Conclusions.—Upon a review of the evidence, we come to the conclusion that while the effect of the Trade Board system on trade and industry has occasionally been stated in terms of exaggeration, there is substance in the allegation that the operations of some of the Boards have contributed to the volume of trade depression and unemployment.

Unfortunately for the Trade Board system, many of the increases in wages settled by the Boards came into operation at a moment when trade was falling, and we are satisfied that in some instances the additional burden so imposed on traders made it difficult for those trades to adjust themselves to the altered conditions. Within certain limits, an increase in the cost of production can be "passed on" to the consumer, with the result that the general level of prices is raised and the consumer (including the worker) suffers accordingly; but in time a point is reached where the consumer ceases to buy, and then follow decline of trade, the closing of workshops, short time and the discharge of workers.

On the other hand we think it is established that the system has had beneficial effects. It appears to us that, speaking generally, Trade Boards have succeeded in abolishing the grosser forms of underpayment and regularizing wages conditions in trades brought under the Acts. Moreover in establishing statutory minima Trade Boards have afforded protection to the good employer, able and willing to pay a reasonable rate of remuneration to his workers, from unscrupulous competitors. Nor must it be overlooked that in some instances the enforcement of higher rates of wages has acted as a stimulus to improvement in working methods.

We are also satisfied that the operation of the system has contributed on the whole to the improvement of industrial relations; and this effect is especially marked in the case of the trades to which the Act of 1909 was applied and which have had the longest experience of the working of the system. . . . . The working of the Trade Board machinery by bringing the two sides together to discuss wages questions "round a table" has tended to prevent the occurrence of industrial disputes.

Finally we think that it is established that the operation of the system has led to a strengthening in organization on both sides.

8. RECOMMENDATIONS FOR REVISION OF THE BRITISH TRADE BOARDS ACTS[1]

For the faults of the present Trade Boards Acts various remedies are proposed, some looking to the complete abolition of the Boards in their present form, others to a revision of their powers.

Proposals for repeal.—The total repeal of the Trade Boards Acts was proposed by very few of the Associations representing employers, and we are of opinion that such a repeal would not be in the public interest. It appears to be almost universally admitted that the oppression by some unscrupulous employers of their needy and helpless work-people which existed before the year 1909 was an evil calling for legislative remedy. If the Trade Boards were abolished without the creation of some effective machinery to take their place, the earnings of these poorer workers would be likely to fall very rapidly and "sweating" would return.

National minimum wage.—In some cases proposals for the repeal of the Trade Boards Acts were accompanied by a suggestion that there should be substituted for them legislation providing for a national minimum wage to be payable in all trades alike. We are unable to concur in that suggestion. Industries differ widely from one another in their history and conditions, their earning capacity and their exposure to foreign competition; and employments differ in the character and strain of the work involved and in the equipment required by the worker.

Such variations can be far more effectively dealt with by a system of separate Trade Boards for individual trades than by an inflexible

[1] Adapted from the "Report to the Minister of Labour of the Committee of Enquiry into the Working and Effects of the Trade Boards Acts" (April, 1922), pp. 24–40.

minimum for all trades. Further, in some industries the home-worker cannot be adequately protected except by fixing minimum piece-rates, and it is clear that such rates cannot be fixed on a national basis for all trades. Nor would it be practicable under such a system to provide effectively for the sub-normal worker; for a worker may be sub-normal for some occupations but not for others. Nor would it be right to leave wholly out of account the danger of constant political pressure for the increase or reduction of a national minimum wage.

Restriction of rate-fixing powers.—But while we are of opinion that the Trade Board system should be retained, we are convinced that the time has come when a definite decision should be taken by Parliament as to the conditions under which Trade Boards should be set up and as to their powers and functions when established. Since the passing of the Act of 1918, a Board may be set up for any trade which is not fully organized, and the only direction given to the Minister in setting up a Board is that he shall "have regard to" the rate of wages prevailing in the trade. When a Board is established it is directed to fix a minimum rate for time-work and is empowered to fix other minimum rates, which may be different for different processes or classes of workers or for different areas; but no guidance is given as to the basis upon which a minimum is to be fixed. As a result some Boards have had regard only to the cost of living, while others have taken into account the value of work done and the charge which the trade can bear. In one case we were informed that the minimum was taken to be the lowest wage payable to the least skilled worker in the cheapest living area covered by the rate; while in another it was defined as a wage sufficient to provide a young woman of 18 with the means sufficient to enable her to maintain herself without assistance and to enable a man of 21 to contemplate marriage.

The issue so raised appears to us to be of vital importance to the future of British industry. In other words, is the intention of the Act of 1909, which we believe to have been directed to the prevention of "sweating," to prevail; or is effect to be given to the interpretation widely put upon the Act of 1918, namely, that it is to be used as an instrument for the public regulation of wages throughout the industries concerned? In our opinion, the former is the correct view.

It is one thing to say that an employer shall not pay to his adult worker a sum insufficient for his or her maintenance under the conditions of the time; it is quite another thing to provide that he shall not pay to a skilled worker of a particular class less than a given higher

rate, and that if he does so he shall be liable to fine or imprisonment. It may be desirable that the higher wage should be paid, and it may not be unreasonable for a trade organization to insist on that wage being paid and to enforce its decision by economic means; but to compel the payment by the threat of criminal prosecution appears to us to be an oppressive use of the powers of the State.

Recommendations.—In the first place we are of opinion that the Minister should not be empowered to apply the Acts to a trade unless (*a*) an unduly low wage prevails in the trade or some branch of it, and (*b*) there is a lack of such organization among the workers as is required for the effective regulation of wages in the trade.

With regard to the functions of a Trade Board when formed, we are of opinion that the Trade Board system should be directed, first, to giving protection to the workers in each trade by securing to them at least a wage which approximates to the subsistence level in the place in which they live and which the trade can bear; and, secondly, to using the machinery established for that purpose in encouraging the improvement of relations between employers and employed and the development of trade organization. For this purpose, it is, we think, necessary to draw a sharp distinction between the fixing of (A) a true minimum wage—that is to say, the least wage which should be paid to the ordinary worker of the lowest grade of skill engaged in the trade, and (B) those other and higher scales of payment which it is desirable to secure for the part-skilled and skilled workers. The former—the true minimum—should be fixed by the vote of a majority of the whole Board, including the Appointed Members, and when confirmed should be enforced by all the authority of the law; but the latter (which, by whatever name it may be called, will in fact be a standard rate) should be determined by agreement between the two sides of the Board without the vote of the Chairman or Appointed Members, and when confirmed should be enforceable by civil proceedings only.

All the rates under class A would be capable of being fixed separately for men, women and juveniles, and might be different in different areas. Class B would comprise all rates other than the above, such as special rates for skilled workers, or workers engaged in a special process, and minimum piece-rates for in-workers. The class B should be capable of being fixed for a limited period, or should be determinable by notice given by either side of the Board.

District rates and district committees.—We recommend that as regards any manufacturing or productive trade to which the Acts apply the Minister of Labour be authorized, after consultation with the Trade Board for such trade, to set up for any area a district committee; that where a district trade committee has been established it shall be consulted by the Board before a proposal for a rate affecting the district is made; that a Trade Board which has established a district trade committee shall have power at any time to dissolve it.

With regard to the distributive and the retail making-up trades (such as Millinery and Bespoke Tailoring) and the Laundry Trade, the considerations in favour of district rates have a special force. Persons engaged in those trades are relatively free from the competition of other districts or of foreign countries, and rates may be fixed with regard to local conditions without giving undue advantage to one district over another. Further, it is in trades of this character that the pressure of rates fixed for the whole Kingdom has been most severely felt. It appears to us that in respect to these distributive and making-up trades it may be the better course to divide the country into suitable districts and to set up for each such district a permanent District Board composed of representatives of employers and workers with an independent chairman, which shall have charge of the trade in the area.

With a view to securing such measures of uniformity in the decisions of these District Boards as may be desirable, we recommend that a co-ordinating committee for each trade or group of trades for which District Boards are so formed be set up.

Juvenile workers and learners.—As to the question of rates for juvenile workers and learners, which has been much debated before us, it appears to us that some Boards have been too ready to fix minimum rates for learners rising periodically (sometimes every six months) with the age of the learner, with the result that learners have been little encouraged to qualify themselves for an increase of pay by care and diligence in their work, and that the employment of late entrants has been discouraged.

We therefore recommend that the Trade Boards be recommended in fixing minimum rates for learners to have regard to experience not less than to age and to make suitable provision for late entrants; that Trade Boards be recommended in trades where apprenticeship is of value to encourage that system by fixing a minimum rate for apprentices lower than that fixed for learners of the same age.

Minor amendments.—With a view to enabling Trade Boards to fix wages on a sliding scale, we recommend that Trade Boards be authorized to fix a series of minimum rates to come into operation contingently on the occurrence of specified events. The power of

fixing overtime rates enables the Trade Boards to deal indirectly with the question of working hours, and we recommend that Trade Boards be authorized in fixing overtime rates to make the payment of a daily overtime rate conditional on the completion by the workers of a specified number of hours' work in the week.

Constitution of boards.—A Trade Board now commonly consists of from 15 to 20 Representative Members on each side, together with 3 Appointed Members, including the Chairman. The Representative Members are not elected, that method having been found impracticable, but are nominated by the Minister, generally on the suggestion of the trade organizations on each side. The Appointed Members are persons wholly unconnected with the industry, generally Barristers or Professors or retired Civil Servants, or (for trades in which women are employed) women engaged in social work. It does not appear to us that legislation dealing with this matter is required; but we think that the Minister should secure that not less than three-quarters of the Representative Members on each side shall be or have been engaged in the trade.

9. LEGAL STATUS OF THE MINIMUM WAGE

[NOTE: As soon as the Oregon minimum wage law was passed in 1913, its constitutionality was challenged in two cases (*Stettler* v. *O'Hara* and *Simpson* v. *O'Hara*). Coming before the Federal Supreme Court in 1917 the court divided 4 to 4. Mr. Brandeis, the original attorney for the defense, having meanwhile become an associate justice of the Court, was unable to cast the deciding vote. Under such circumstances the Supreme Court renders no opinion of its own, but merely upholds the decision of the lower court which in this case had been favorable.

The original favorable decision of the Oregon court in this case had been based upon reasoning practically identical with that in the ten-hour case. Excerpts from the argument of the plaintiff and the opinion of the Oregon Supreme Court follow.—ED.]

a) ARGUMENT OF PLAINTIFF (EMPLOYER), BEFORE THE SUPREME COURT OF OREGON (1913)[1]

At the present time plaintiff is employing in his said manufacturing establishment in the City of Portland, forty-two adult experienced women, many of whom he is paying less than $8.64 per week. If he

[1] Adapted from *Transcript of Record Supreme Court of the United States* (October, 1916), No. 25, pp. 8–10.

shall be required to pay each of said women employees the sum of $8.64 per week, such wages would so increase the expenses of conducting his business that the same would be operated and conducted at a loss instead of at a profit. This plaintiff is compelled to compete with manufacturers of paper boxes in other states who are not obliged or required to pay as high wages.

And this plaintiff avers that said act of the Legislative Assembly is in violation of the Constitution of this state and of the United States in that it deprives plaintiff of his property and of his liberty without due or any process of law. And plaintiff avers that a wage of $6.00 per week for the women to whom the same is paid in said business is not an unreasonably low wage, but the same is adequate compensation for the services rendered. That the women employed in said factory who receive less than $8.64 per week are incompetent by reason of age, inability or otherwise to earn greater wages than they are being paid. That many of said women have other sources of income and are living with parents or other relatives and desire and expect to make only a portion of their support, and if plaintiff is compelled to pay to each of his adult experienced women a wage of $8.64 plaintiff will be necessarily restricted to the employment only of women who are capable of earning it, and said less competent employees will be prevented from laboring for the plaintiff.

b) DECISION OF THE OREGON COURT[1]

"Common belief" and "common knowledge" are sufficient to make it palpable and beyond doubt that the employment of female labor as it has been conducted is highly detrimental to public morals. Every argument put forward to sustain the maximum hours law applies equally in favor of the constitutionality of the minimum wage law. Counsel urges that the law upon this question interferes with plaintiff's freedom of contract. But he fails to take note that by reason of this larger freedom the tendency is to return to the earlier conditions of long hours and low wages. The legislature has evidently concluded that even in Oregon there are many women employed at inadequate wages—employment not secured by the agreement of the worker at satisfactory compensation, but at a wage dictated by the employer. The worker in such a case has no voice in fixing the hours or wages, or choice to refuse it, but must accept it or fare worse

We think we should be bound by the judgment of the legislature that there is a necessity for this act.

[1] *Ibid.*, pp. 20–23, 25, and Transcript No. 26, p. 14.

The guaranties of the fourteenth amendment are not new in American history; they existed substantially in the constitutions of many of the states, and, excepting as to the status of the negro, were well-nigh universal in the United States. Primarily for the better protection of a newly-enfranchised race, it was thought expedient to make the general government a coguarantor with the states of these fundamental privileges of freemen. But that the effect of this would be to limit the power of the states to enact reasonable laws for the protection of their women and children against the consequences of labor for a length of time tending to impair health or at a wage barely sufficient to sustain life, never entered the imagination of the statesmen who framed it.

c) THE DISTRICT OF COLUMBIA CASE

[NOTE: In 1917 Congress passed a law on the Oregon model for the District of Columbia. So well conducted was the preliminary agitation for the measure that no one appeared before the Congressional Committee to oppose it (even the merchants' and manufacturers' association of the District speaking in its favor), and the law passed both houses by a large majority. Thus favorably launched, the Minimum Wage Commission proceeded to a vigorous erection of standards and soon brought upon itself the opposition of certain of the employing interests, notably the laundries and hotels and restaurants. These groups presently (1920) concentrated their forces in a series of bills of injunction brought by an institution of a semi-philanthropic character, the Children's Hospital, and when the Supreme Court of the District dismissed the bills, appealed their cases to the Court of Appeals.

When they came to be heard by the Court of Appeals one of its members was ill, and his place had been temporarily taken by another justice. The procedure in such cases is that the substitute justice finishes whatever cases he begins. In this case the substitute justice was favorable to the law and joined with the Chief Justice first in upholding it, and then in denying the appellants a rehearing.

Meanwhile, the absent justice who was strongly opposed to the law decided to return and take a hand in the case himself. He accordingly joined with the third member of the court (who had also always been opposed to the law) in directing over the protest of the Chief Justice that the case be reargued. In the words of the Chief Justice: "It would seem from the foregoing that the appellants, finding themselves defeated, sought a justice who had not sat on the case but who they believed would be favorable to them, and induced him, by an appeal directed to him personally, to assume jurisdiction and join with the dissenting justice in an attempt to overrule the decisions of the court. I shall not characterize such practice—let the facts speak for themselves."

It was upon this argument that these two judges reversed the first judgment of the court and declared the law unconstitutional (1922). On April 9, 1923, the Federal Supreme Court declared the law unconstitutional.—ED.]

The favorable and unfavorable opinions of the District of Columbia Courts have been in substance as follows:

i. Favorable Opinion of the Court of Appeals of the District as Constituted June 6, 1921[1]

The only ground upon which the court could review the action of Congress would be that "a statute purporting to have been enacted to protect the public safety, has no real or substantial relation to those objects, or is a palpable invasion of rights secured by the fundamental law." (Cases cited.)

The first inquiry was whether or not the act has any real or substantial relation to its declared object. "For answer we may resort to common knowledge." (Cases cited.) "It is equally well known that if a working woman does not receive a sufficient wage to supply her with necessary food, shelter, and clothing, and she is compelled to subsist upon less than her requirements demand, the result must be that her health would be injuriously affected."

The next question taken up was whether or not it was invalid as interfering with freedom of contract. "That it does must be conceded, but that is not fatal. Every statute exerting the police power interferes with freedom of contract. . . . . 'Liberty' (citing a Supreme Court decision) 'implies the absence of arbitrary restraint, not immunity from reasonable regulations and prohibitions imposed in the interest of the community.' . . . .

"If we may accept the House Committee's report, an evil existed. The workers, by reason of the law of competition, were unable to remove it. They were compelled to submit or go without work. Congress alone could apply the remedy."

(Concurring opinion of Judge Stafford) . . . . "the asserted right of the employer to be served by anyone who is willing to work for him, and at any wage the worker is willing to accept, must be subordinate

[1] Opinion delivered by Chief Justice Smyth, quoted in *Monthly Labor Review* (July, 1921), p. 203.

to the right of the public to see that those women who are obliged to work for a living shall not be obliged to work for less than a living."

ii. Unfavorable Majority Opinion of the Court of Appeals as Constituted November 6, 1922[1]

Legislation tending to fix the prices at which private property shall be sold, whether it be a commodity or labor, places a limitation upon the distribution of wealth and is aimed at the correction of the inequalities of fortune which are inevitable under our form of government, due to personal liberty and the private ownership of property. These principles are embodied in the Constitution itself, and to interfere with their freedom of operation is to deprive the citizen of his constitutional rights. . . . . The police power can not be employed to level inequalities of fortune. Private property can not by mere legislative or judicial fiat be taken from one person and delivered to another, which is the logical result of price fixing.

As a proper exercise of the police power we are of the opinion that the act can not be upheld. High wages do not necessarily tend to good morals, or the promotion of the general welfare. . . . . A wage based upon competitive ability is just, and leads to frugality and honest industry and inspires an ambition to attain the highest possible efficiency, while the equal wage paralyzes ambition and promotes prodigality and indolence. It takes away the strongest incentive to human labor, thrift, and efficiency, and works injustice to employee and employer alike, thus affecting injuriously the whole social and industrial fabric. Experience has demonstrated that a fixed minimum wage means, in the last analysis, a fixed wage; since the employer, being compelled to advance some to a wage higher than their earning capacity, will, to equalize the cost of operation, lower the wage of the more competent to the common basis.

It should be remembered that the three fundamental principles which underlie government and for which government exists—the protection of life, liberty, and property—the chief of these is property, not that any amount of property is more valuable than the life or liberty of the citizen, but the history of civilization proves that when the citizen is deprived of the free use and enjoyment of his property anarchy and revolution follow, and life and liberty are without protection.

[1] Majority decision, denying the constitutionality of the Act, delivered by Justice Van Orsdel, quoted in *Monthly Labor Review* (December, 1922), pp. 222–24.

Take from the citizen the right to freely contract and sell his labor for the highest wage which his individual skill and efficiency will command and the laborer would be reduced to an automaton—a mere creature of the State. It is paternalism in the highest degree, and the struggle of the centuries to establish the principle that the State exists for the citizen, and not the citizen for the State, would be lost.

If, in the exercise of the police power for the general welfare, power lies in the legislature to fix the wage which the citizen must accept or choose idleness, or, as in the case of Willie Lyons, be deprived of the means of earning a living, it is but a step to a legal requirement that the industrious, frugal, economical citizen must divide his earnings with his indolent, worthless neighbor. The modern tendency toward indiscriminate legislative and judicial jugglery with great fundamental principles of free government, whereby property rights are being curtailed and destroyed, logically will, if persisted in, end in social disorder and revolution.

iii. Opinions of the Federal Supreme Court[1]

MR. JUSTICE SUTHERLAND: It is simply and exclusively a price-fixing law, confined to adult women who are legally as capable of contracting for themselves as men. It forbids two parties having lawful capacity, under penalties to the employer, in contract freely with one another in respect of the price for which one shall render service to the other in a purely private employment where both are willing, perhaps anxious, to agree even though the consequence may be to oblige one to surrender a desirable engagement and the other to dispense with the service of a desirable employee.

The price fixed by the board need have no relation to the capacity of earning power of the employee, the number of hours which may happen to constitute the day's work, the character of the place where the work is done, or the circumstances or surroundings of the employment; and while it has not other basis to support its validity than the assumed necessities of the employee, it takes no account of any independent resources she may have. It is based wholly on the opinion of the members of the board and their advisers, perhaps an average of their opinion if they did not precisely agree, as to what will be necessary to provide a living wage for a woman, keep her in health, and preserve her morals.

[1] *Minimum Wage Board of the District of Columbia* v. *The Children's Hospital of the District of Columbia* (April 9, 1923).

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The price fixed by the board need have no relation to the capacity of earning power of the employee, the number of hours which may happen to constitute the day's work, the character of the place where the work is done, or the circumstances or surroundings of the employment; and while it has not other basis to support its validity than the assumed necessities of the employee, it takes no account of any independent resources she may have. It is based wholly on the opinion of the members of the board and their advisers, perhaps an average of their opinion if they did not precisely agree, as to what will be necessary to provide a living wage for a woman, keep her in health, and preserve her morals.

[1] *Minimum Wage Board of the District of Columbia* v. *The Children's Hospital of the District of Columbia* (April 9, 1923).

It applies to any and every occupation in the District of Columbia without regard to its nature or the character of the work.

The ancient inequality of the sexes otherwise than physical, as suggested in the *Muller* v. *Oregon* case has continued with "diminishing intensity" in view of the great—not to say revolutionary—changes which have taken place since that utterance in the contractual, political, and civil status of women culminating in the Nineteenth Amendment. It is not unreasonable to say that these differences have now come almost if not quite to the vanishing-point. In this aspect of the matter, while the physical differences must be recognized in appropriate cases and legislation fixing hours or conditions of work may properly take them into account, we cannot accept the doctrine that women of mature age *sui juris* require or may be subjected to restrictions upon their liberty of contract which could not be lawfully imposed in the case of men under similar circumstances. To do so would be to ignore all the implications to be drawn from the present-day trend of legislation, as well as that of common thought and usage, by which woman is accorded emancipation from the old doctrine that she must be given special protection or be subjected to special restraint in her contractual and civil relationships.

The feature of this statute, which, perhaps more than any other, puts upon it the stamp of invalidity in that it exacts from the employer an arbitrary payment for a purpose and upon a basis having no casual connection with his business or the contract or the work the employee engages to do. The declared basis is not the value of the service rendered, but the extraneous circumstances that the employee needs to get a prescribed sum of money to insure her subsistence, health, and morals.

The ethical rights of every worker, man or woman, to a living wage may be conceded. One of the declared and important purposes of trade organizations is to secure it, and with that principle and with every legitimate effort to realize it in fact no one can quarrel, but the fallacy of the proposed method of obtaining it is that it assumes that every employer is bound to furnish it.

Mr. Chief Justice Taft (dissenting): Legislatures in limiting freedom of contract between employee and employer by a minimum wage proceed on the assumption that employees, in the class receiving least pay, are not upon a full level of equality of choice with their employer and by their necessitous circumstances are prone to accept pretty much anything that is offered. They are peculiarly subject to

the overreaching of the harsh and greedy employer. The evils of the seating system and of the long hours and low wages which are characteristic of it are well known. Now I agree that it is a disputable question in the field of political economy how far a statutory requirement of maximum hours or minimum wages may be a useful remedy for these evils, and whether it may not make the case of the oppressed employee worse than it was before. But it is not the function of this Court to hold congressional acts invalid simply because they are passed to carry out economic views which the court believes to be unwise or unsound.

Without, however, expressing an opinion that a minimum-wage limitation can be enacted for adult men, it is enough to say that the case before us involves only the application of the minimum wage to women. If I am right in thinking that the legislature can find as much support in experience for the view that a sweating wage has as great and as direct a tendency to bring about an injury to the health and morals of workers, as for the view that long hours injure their health, then I respectfully submit that *Muller* v. *Oregon*, 208 U.S. 412, controls this case. The law which was there sustained forbade the employment of any female in any mechanical establishment or factory or laundry for more than ten hours. This covered a pretty wide field in women's work and it would not seem that any sound distinction between that case and this can be guilt up on the fact that the law before us applies to all occupations of women with power in the board to make certain exceptions. Mr. Justice Brewer, who spoke for the Court in *Muller* v. *Oregon*, based its conclusion on the natural limit to women's physical strength and the likelihood that long hours would therefore injure her health, and we have had since a series of cases which may be said to have established a rule of decision. The cases covered restrictions in wide and varying fields of employment and in the later cases it will be found that the objection to the particular law was based not on the ground that it had general application but because it left out some employments.

I am not sure from a reading of the opinion whether the Court thinks the authority of *Muller* v. *Oregon* is shaken by the adoption of the Nineteenth Amendment. The Nineteenth Amendment did not change the physical strength or limitations of women upon which the decision in *Muller* v. *Oregon* rests. The Amendment did give women political power and makes more certain that legislative provisions for their protection will be in accord with their interests

as they see them. But I don't think we are warranted in varying constitutional construction based on physical differences between men and women, because of the Amendment.

PROBLEMS

1. What objections are commonly argued against the enactment of labor legislation?
2. What limitations are there upon the power of the national government to pass legislation affecting workers?
3. "The common law has been inadequate to provide for our evolving labor problems." Why? Is the common law static?
4. "A rapidly changing technology and a slowly evolving social control leave the worker exposed, threatened." Discuss.
5. What did the fifth and fourteenth amendments of the national constitution aim to prevent?
6. "What constitutes 'unfair and arbitrary legislation' is determined in each case by the court in terms of the prevailing social and economic standards of the times." What does this statement mean?
7. Do judges record their own personal feeling as to the social desirability of legislation when they arrive at a decision? How do they proceed? How do you account for the fact that decisions are not always unanimous?
8. "The national constitution is the great barrier to adequate social actions." "The national constitution safeguards American liberties." Discuss.
9. "We should forbid all children under 16 from working in manufacturing, trade and commerce." Why, or why not?
10. "There is too much pampering of the modern child. When I was young I worked 10 hours a day and was the better for it." Comment.
11. Why should the state forbid the employment of children in street trades? What are the functions of continuation schools?
12. "Children's wages drag down men's wages." Why?
13. What are the parents going to do when the state takes the earnings of the children away by prohibiting them from working?
14. Should child labor in agriculture be regulated? If so, how?
15. What weaknesses exist in the administration of child labor legislation?
16. Would a national law forbidding child labor be desirable? Would it be constitutional? Is the problem of child labor a national problem?
17. Suppose a state forbids the employment of children under eighteen years in mills and factories. Would such legislation be held constitutional?
18. Recently the President of the United States spoke favorably in behalf of a constitutional amendment making it possible for the national government to control the subject of child labor and employment. What arguments can be marshaled in behalf of such a suggestion?

19. A law provides that women shall not work at night more than eight hours. Another law provides that women shall not work during the day in any industry more than eight hours. Are not both of these laws invasions of the right of the women to contract freely and without interference?
20. "If any restrictions are placed upon woman's right to work, she will not be able to secure the jobs that she otherwise could and hence her industrial opportunities will be hampered. All Feminists, therefore, should oppose labor legislation for women." Discuss fully.
21. What was the attitude of the Illinois Supreme Court in 1895 in the Ritchie case involving the constitutionality of the eight-hour law for women? What was their attitude in 1909 on the ten-hour law? How do you account for the change of position? How did the court account for the change?
22. Explain the position of the United States Supreme Court in the case of the Oregon ten-hour law for women.
23. An employee signed the following contract: "I agree in consideration of employment by said American Express Company, that I will assume all risks of accident or injury . . . ." (184 New York Reports 379). The court held the agreement invalid as opposed to public policy. Justify or criticize the decision.
24. Why are courts slow to take cognizance of economic duress?
25. "It cannot be perceived how the cigar maker is to be improved in his health and morals by forcing him from his home and hallowed associations and beneficent influences, to ply his trade elsewhere" (In re Jacobs). Do you agree? Why, or why not?
26. "If it is proper to regulate the hours of labor for women, it is equally proper to regulate the hours for men." "The two cases are entirely different; one has no bearing on the other." Do you agree with either statement? Explain.
27. Explain the issue in the Lochner (bakeshop) case. Upon what grounds did the Supreme Court render its decision? What was the objection of the dissenting minority?
28. In the case of *Holden* v. *Hardy* (Utah eight-hour law for mining), did the Supreme Court place a broad or a narrow definition upon the police powers of the state? Summarize its argument.
29. On what grounds could hour legislation for men on railroads, for example, be justified which would not apply to all male workers?
30. Why have the leaders of the American Federation of Labor opposed hour legislation for men?
31. Upon what grounds that might appeal to the courts could a general ten-hour law for men be advocated? Would you personally approve of a general ten-hour law? Of an eight-hour law?
32. Would you approve of a general one-day's-rest-in-seven law, and if so, upon what grounds?

33. In *Ives* v. *New York*, the court in holding a workmen's compensation act invalid says: "I also concede the plenary power of the Legislature to prescribe all reasonable rules for the conduct of the work which may conduce to the safety and health of persons employed therein . . . . [but] I know of no principle on which one can be compelled to indemnify another for loss unless it is based upon contractual obligation or fault." Reason with the court.
34. Consider the remark of the New York Supreme Court in the foregoing case: "In a government like ours theories of public good or necessity are often so plausible or sound as to command public approval, but courts are not permitted to forget that law is the only chart by which the ship of state is to be guided."
Does this statement mean that the community acting through proper legislative channels cannot accomplish what it deems fit and proper? If not, what does it mean?
35. It is said that a court does not make law; it finds the law. How does it proceed in finding the law?
36. "In considering the relationships of employer and employee it may be found necessary to protect individuals against their will." Give concrete meaning to this statement. Does the community protect citizens against their will in other relationships?
37. "The asserted right of the employer to be served by anyone who is willing to work for him, and at any wage the worker is willing to accept, must be subordinate to the right of the public to see that those women who are obliged to work for less than a living" (Concurring opinion of Mr. Justice Stafford, D. of C. Court of Appeals, January 6, 1921). Criticize or defend this statement.
38. Now that women have the right of suffrage, should they be considered any longer as wards of the state?
39. "The minimum wage interferes with the normal processes of economic distribution. In our competitive industrial society, if a woman receives low wages, this indicates that she is worth only low wages." Do you agree? Why, or why not?
40. "I am opposed to the minimum wage since it will raise prices to the consumer and he will lose what the workers gain. Better to let the workers labor at low wages and hence lower prices and make it possible for the poor to buy goods cheaply." Comment.
41. "The minimum wage would increase the efficiency of labor and cause more machinery to be used. It would mean no burden therefore upon the industry." Comment.
42. "For one state to pass a minimum wage law is sheer economic suicide if the other states do not do so." Do you agree that this is true for manufacturing? for restaurants? for stores?

43. "What are you going to do with the women who cannot earn the minimum and are consequently thrown out of employment? Is it not better for them to get low wages than to get none at all?"
44. The minimum wage laws of Australia and Great Britain apply to men as well as women. Do the American laws? Why? Should there be a legal minimum wage for men as well as for women? Defend your position.
45. What is the difference between the Massachusetts and Oregon minimum wage laws? Which type do you favor and why?
46. What is the difference between the commission laws and the flat-rate laws? Describe the process of fixing wages under the commission plan.
47. "It would be wrong to say that the principle of a living wage furnishes the sole guide to the commissions. The side that is the stronger bargainer is still likely to win." What features of our commission plan of organization give rise to this criticism? Have they any utility?
48. "Experience has demonstrated that a fixed minimum wage means, in the last analysis, a fixed wage; since the employer, being compelled to advance some workers to a wage higher than their earning capacity, will, to equalize the cost of operation, lower the wage of the more competent to the common basis" (Plaintiff's brief, District of Columbia Minimum Wage Case, 1922). Discuss.
49. (*a*) What change in the minimum wage policy did the new (1918) British Trade Board Act inaugurate? (*b*) Are any of our American laws open to a similar interpretation? (*c*) What are the recommendations of the British investigating committee? Do you agree with them?

CHAPTER XXVIII

THE COURTS AND ORGANIZED LABOR

1. THE CLAYTON ACT AND ITS INTERPRETATION

a) THE LABOR PROVISIONS OF THE CLAYTON ACT OF 1914 AND THEIR JUDICIAL INTERPRETATION[1]

The outstanding provisions of the Clayton Act of 1914 are contained in sections 6 and 14. Sec. 6. That the labor of a human being is not a commodity or article of commerce. Nothing contained in the anti-trust laws shall be construed to forbid the existence and operation of labor, agricultural or horticultural organizations, instituted for the purposes of mutual help and not having capital stock or conducted for profit, or to forbid or to restrain individual members of such organizations from lawfully carrying out the legitimate objects thereof; nor shall such organizations or the members thereof be held or construed to be illegal combinations or conspiracies in restraint of trade, under the anti-trust laws.

Sec. 20. That no restraining order or injunction shall be granted by any court of the United States, or a judge or the judges thereof in any case between an employer and employees or between employers and employees, or between employees or between persons employed and persons seeking employment, involving or growing out of a dispute concerning terms and conditions of employment, unless necessary to prevent irreparable injury to property or to a property right of the party making the application for which injury there is no adequate remedy at law and such property or property right must be described with particularity in the application which must be in writing and sworn to by the applicant or by his agent or attorney.

And no such restraining order or injunction shall prohibit any person or persons, whether singly or in concert from terminating any relation of employment or from ceasing to perform any work or labor, or from recommending, advising or persuading others by peaceful means so to do; or from attending at any place where any such person or persons may lawfully be, for the purpose of peacefully

[1] Adapted with permission from Royal E. Montgomery, "The Clayton Law Labor Provisions and the Supreme Court," *University Journal of Business* (February, 1923), pp. 1–32.

obtaining or communicating information, or from peacefully persuading any person to work or abstain from working; or from ceasing to patronize or employ any party to such dispute, or from recommending, advising or persuading others by peaceful means so to do; or from paying or giving to or withholding from any person engaged in such dispute, any strike benefits or other moneys or things of value; or from peaceably assembling in a lawful manner and for lawful purposes; or from doing any act or thing which might lawfully be done in the absence of such dispute by any party thereto; nor shall any of the acts specified in this paragraph be considered or held to be violations of any law of the United States.

In its interpretation of the act the following principles have been established by the Supreme Court: (1) unions are not exempt from anti-trust law for any acts that in themselves constitute violation of these laws; (2) Section 20, prohibiting the issuance of the injunction in labor disputes, does not hold if it is found that injury to an employer's business is resulting from the dispute, for business is property and hence the injunction can be issued under the authorization of the qualification: "unless necessary to prevent immediate and irreparable injury to a property right"; (3) the employer has a property right, also, in contracts with his employees concerning their affiliation or non-affiliation with unions, and to carry out an organizing campaign among workers so bound is neither "lawful" action nor the carrying out of a "legitimate" object; (4) the Clayton law established no new principle in equity, and picketing and boycotting must be done in a lawful manner for a legitimate object with the terms carrying no new denotation as a result of the 1914 legislation; (5) there is in fact no peaceful picketing except that of the lone missionaries stationed at the points of ingress and egress; (6) the provisions of Section 20 permitting those persons having a direct interest in the controversy peacefully and lawfully to communicate with and endeavor to persuade others applies only to those persons having a direct interest in the controversy—employees, ex-employees, prospective employees—and not to their supporters and sympathizers; (7) the secondary boycott is unlawful and the doctrine established in the Hatters case still stands; and (8) a union is liable under the Sherman law for restraint of commerce when the intent so to do is proved (even though it was not proved in the Coronado case), it is answerable in the federal courts for any unlawful activities accompanying its strikes, and it may be sued in the federal courts in its collective name.

It will be remembered that the declaration, "Labor is not a commodity," was hailed as the greatest victory for unionism in the history of the American labor movement. Well, nothing in the court decisions declares that labor is a commodity. This much of the Clayton law remains—safe, unchanged, untarnished. But for that matter, there never has been a decision in which an American court has held that the labor of a human being is an article of commerce.

In its fundamentals, the law of labor was little changed by the Clayton act of 1914.

b) SECONDARY BOYCOTT UNDER THE CLAYTON ACT—DUPLEX PRINTING PRESS COMPANY *v.* DEERING[1]

[NOTE: For the purpose of compelling a manufacturer of printing presses to unionize its factory in Michigan and to enforce there the "closed shop," the eight-hour day and the union scale of wages, organizations of machinists with headquarters in New York City and a large organization of national scope with which they were affiliated, entered into a combination to interfere with and restrain the manufacturer's interstate trade; in pursuance of which this manufacturer's customers were warned not to purchase or install its presses, a trucking company usually employed by customers was notified not to haul them; employees of the trucking company and of the customers were incited to strike in order to prevent both hauling and installation, repair shops were notified not to repair them, etc.—ED.]

The opinion of the court: Pitney, J.—The complainant's business is a property right entitled to protection against unlawful injury or interference. There is nothing in the section (section 6) of the Clayton Act to exempt such an organization when it departs from its normal and legitimate objects. Nor can section 20 be regarded as bringing in all members of a labor organization as parties to "a dispute concerning terms or conditions of employment" which proximately affects only a few of them. To instigate a sympathetic strike in aid of a secondary boycott cannot be termed "peaceful and lawful" persuasion. In essence, it is a threat to inflict damage upon the immediate employer, between whom and his employees no dispute exists, in order to bring him against his will into a concerted plan to inflict damage upon another employer who is in dispute with his employees.

There should be an injunction against the defendants.

[1] 254 U.S. 443.

Dissenting opinion: Brandeis, J.—Defendants contend that the Duplex Company's refusal to deal with the machinists' union and to observe its standards threatened the interest not only of such union members as were its factory employees but even more of all members of the affiliated unions whose more advanced standards the plaintiff was in reality attacking. I should say that the defendants and those from whom they have sought co-operation have a common interest which the plaintiff threatened.

Second, this statute (the Clayton Act) was the fruit of unceasing agitation, which extended over more than twenty years and was designed to equalize before the law the position of working men and employer as industrial combatants. By 1914 the ideas of the advocates of legislation had fairly crystallized upon the manner in which the inequality and uncertainty of the law should be removed. The resulting law set out certain acts which previously had been held unlawful whenever the courts disapproved of the ends for which they were performed. It then declared that when these acts were committed in the course of an industrial dispute, they should not be held to violate any law of the United States. In other words the Clayton Act substituted the opinion of Congress as to the propriety of the purpose for that of differing judges and therefore it declared that the relations between employers of labor and working men were competitive relations, that organized competition was not harmful and that it justified injuries necessarily inflicted in its course.

2. RECOGNITION OF UNIONISM[1]

[NOTE: In error to the Supreme Court of the State of Kansas to review a judgment which affirmed a conviction in the District Court under an information charging a violation of a statute of the state forbidding employers to exact a promise not to join or retain membership in a labor organization as a condition of securing or retaining employment.—ED.]

MR. JUSTICE PITNEY: About July 1, 1911, one Hedges was employed as a switchman by the St. Louis & San Francisco Railway Company and was a member of a labor organization called the Switchmen's Union of North America. Plaintiff in error was employed by the railway company as superintendent, and as such he requested Hedges to sign an agreement, which he presented to him in writing,

[1] *Coppage* v. *Kansas*, 35 Supreme Ct. Rep. 240.

at the same time informing him that if he did not sign it he could not remain in the employ of the company. The following is a copy of the paper thus presented:

FORT SCOTT, KANSAS,_____1911

Mr. T. B. Coppage, Superintendent Frisco Lines
Fort Scott

We, the undersigned, have agreed to abide by your request, that is, to withdraw from the Switchmen's Union, while in the service of the Frisco Company.

(*Signed*)_____

Hedges refused to sign this, and refused to withdraw from the labor organization. Thereupon plaintiff in error, as such superintendent, discharged him from the service of the company.

We have to deal, therefore, with a statute that, as construed and applied, makes it a criminal offense, punishable with fine or imprisonment, for an employer or his agent to merely prescribe, as a condition upon which one may secure certain employment or remain in such employment (the employment being terminable at will), that the employee shall enter into an agreement not to become or remain a member of any labor organization while so employed; the employee being subject to no incapacity or disability, but, on the contrary, free to exercise a voluntary choice.

Granted the equal freedom of both parties to the contract of employment, has not each party the right to stipulate upon what terms only he will consent to the inception, or to the continuance, of that relationship? And may he not insist upon an express agreement, instead of leaving the terms of the employment to be implied? Approaching the matter from a somewhat different standpoint, is the employee's right to be free to join a labor union any more sacred, or more securely founded upon the Constitution, than his right to work for whom he will, or to be idle if he will? And does not the ordinary contract of employment include an insistence by the employer that the employee shall agree, as a condition of the employment, that he will work for whom he pleases, but will serve his present employer, and him only, so long as the relation between them shall continue? Can the right of making contracts be enjoyed at all, except by parties coming together in an agreement that requires each party to forego, during the time and for the purpose covered by the agreement, any inconsistent exercise of his constitutional rights? These queries answer themselves.

Of course we do not intend to say, nor to intimate, anything inconsistent with the right of individuals to join labor unions, nor do we question the legitimacy of such organizations so long as they conform to the laws of the land as others are required to do. Conceding the full right of the individual to join the union, he has no inherent right to do this and still remain in the employ of one who is unwilling to employ a union man, any more than the same individual has a right to join the union without the consent of that organization. Can it be doubted that a labor organization—a voluntary association of working men—has the inherent and constitutional right to deny membership to any man who will not agree that during such membership he will not accept or retain employment in company with nonunion men? Or that a union man has the constitutional right to decline proffered employment unless the employer will agree not to employ any nonunion man? And can there be one rule of liberty for the labor organization and its members, and a different and more restrictive rule for employers? We think not; and since the relation of employer and employee is a voluntary relation, as clearly as is that between the members of a labor organization, the employer has the same inherent right to prescribe the terms upon which he will consent to the relationship, and to have them fairly understood and expressed in advance.

When a man is called upon to agree not to become or remain a member of the union while working for a particular employer he is in effect only asked to deal openly and frankly with his employer, so as not to retain the employment upon terms to which the latter is not willing to agree. And the liberty of making contracts does not include a liberty to procure employment from an unwilling employer, or without a fair understanding. Nor may the employer be foreclosed by legislation from exercising the same freedom of choice that is the right of the employee.

3. LEGAL LIABILITY OF UNINCORPORATED UNIONS[1]

[NOTE: The plaintiff companies owned adjacent mines in Sebastian County, Arkansas, the mines being operated under a common management which had a contract with District No. 21 of the United Mine Workers of America. About three months before the expiration of this contract, Bache, the receiver for the companies, shut down the

[1] *United Mine Workers of America, et al.*, v. *The Coronado Coal Company, et al.*, Supreme Court of United States, 259 U.S. 344.

mines and reopened shortly afterward on an open-shop basis. A strike was called at once and both sides embarked upon a period of industrial warfare which culminated on July 17, 1914, in an armed attack upon mines, during the course of which two employees were deliberately murdered and the mines either blown up or fired. The companies brought suit under the Sherman Act, alleging a conspiracy in restraint of interstate commerce and asking treble damages under Section 7. They joined as party defendants the United Mine Workers of America, District No. 21, together with sixty-five individuals. The Unions are unincorporated voluntary associations.—ED.]

MR. CHIEF JUSTICE TAFT: Undoubtedly at common law an unincorporated association of persons was not recognized as having any other character than a partnership in whatever was done, and it could only sue or be sued in the names of its members, and their liability had to be enforced against each member.

But the growth and necessities of these great labor organizations have brought affirmative legal recognition of their existence and usefulness and provisions for their protection, which their members have found necessary. Their right to maintain strikes, when they do not violate law or the rights of others, has been declared. The embezzlement of funds by their officers has been especially denounced as a crime, the so-called union label, which is a quasi trademark to indicate the origin of manufactured products in union labor, has been protected against pirating and deceptive use by the statutes of most of the states, and in many states authority to sue to enjoin its use has been conferred on unions.

They have been given distinct and separate representation and the right to appear to represent union interests in statutory arbitrations, and before official labor boards.

More than this, equitable procedure adapting itself to modern needs has grown to recognize the need of representation by one person of many too numerous to sue or to be sued; and this has had its influence upon the law side of litigation, so that out of the very necessities of existing conditions and the utter impossibility of doing justice otherwise, the suable character of such an organization as this has come to be recognized in some jurisdictions and many suits for and against labor unions are reported in which no question has been raised as to the right to treat them in their closely united action and functions as artificial persons capable of suing and being sued.

It would be unfortunate if an organization with as great power as this international union has in the raising of large funds and in directing the conduct of 400,000 members in carrying on, in a wide territory, industrial controversies and strikes, out of which so much unlawful injury to private rights is possible, could assemble its assets to be used therein free from liability for injuries by torts committed in course of such strikes. To remand persons injured to a suit against each of the 400,000 members to recover damages and to levy on his share of the strike fund would be to leave them remediless.

Our conclusion as to the suability of the defendants is confirmed in the case at bar by the words of Sections 7 and 8 of the anti-trust law. The persons who may be used under Section 7 include "corporations and associations existing under or authorized by the laws of either the United States, or the laws of any of the territories, the laws of any state, the laws of any foreign country."

This language is very broad, and the words given their natural signification certainly include labor unions like these. They are, as has been abundantly shown, associations existing under the laws of the United States, of the territories thereof, and of the states of the union. Congress was passing drastic legislation to remedy a threatening danger to the public welfare, and did not intend that any person or combinations of persons should escape its application. Their thought was especially directed against business associations and combinations that were unincorporated to do the things forbidden by the act, but they used language broad enough to include all associations which might violate its provisions organized by the statutes of the United States or the states or the territories, or foreign countries as lawfully existing; and this, of course, includes labor unions, as the legislation referred to shows.

For these reasons we conclude that the international union, the district No. 21 and the twenty-seven local unions were properly made parties defendant here and properly served by process on their principal officers.

[NOTE: The employer has resorted commonly to the injunction as his most powerful weapon against labor. For damages suffered, action lay only against the individual wrongdoers or their principals. The practical difficulty of identifying and serving so large a group, and the lack of financial responsibility in many cases, makes this a remedy of questionable value.

Whether we permit the employer as indicated in this case the right to sue an unincorporated union as an entity is a matter of policy. Certainly it is a question whether we should foster within society large and powerful groups enjoying the privileges arising out of collective

action and yet escape liability. But in the present state with uncertainty and illegality curbing labor's methods to hold that unincorporated unions can be sued as unions may well tend to further the exploitation of the economically weaker individual, the worker.

Even if we deny that such a policy of immunity is a wise one, we are confronted with the further question as to the wisdom of judicial determination of a policy of such importance, independently of an expression of public opinion through the legislature.

In England public policy against such collective liability has been expressed in the Trade Disputes Act of 1906, which provides that trade unions as such shall not be subject to suits for damages arising out of torts. This statute was passed following the decision in the famous *Taff Vale* case in which the court held labor unions suable as entities under the Trade Union Act of 1871.—Ed.]

4. STATUS OF ORGANIZING ACTIVITIES[1]

[Note: The Hitchman Coal Company after experiencing several costly strikes decided to run its mines non-union. Workers seeking employment were required to agree not to join a union and if they did to withdraw from the company's employ. The United Mine Workers sent in several organizers "to enroll all employees who are willing to join a union if it is organized." Other facts will appear in the court's decision.—Ed.]

Mr. Justice Pitney: What are the legal consequences of the facts that have been detailed?

That the plaintiff was acting within its lawful rights in employing its men only upon terms of continuing membership in the United Mine Workers of America is not open to question. The same liberty which enables men to form unions, and through the union to enter into agreements with employers willing to agree, entitles other men to remain independent of the union and other employers to agree with them to employ no man who owes any allegiance or obligation to the union.

Plaintiff, having in the exercise of its undoubted rights established a working agreement between it and its employees, with the free assent of the latter, is entitled to be protected in the enjoyment of the resulting status, as in any other legal right. That the employment was "at will," and terminable by either party at any time, is of no consequence.

[1] *Hitchman Coal and Coke Company* v. *Mitchell*, 202 Fed. 512 (1912).

In short, plaintiff was and is entitled to the good will of its employees, precisely as a merchant is entitled to the good will of his customers although they are under no obligation to continue to deal with him. The value of the relation lies in the reasonable probability that by properly treating its employees, and paying them fair wages, and avoiding reasonable grounds of complaint, it will be able to retain them in its employ, and to fill vacancies occurring from time to time by the employment of other men on the same terms. The pecuniary value of such reasonable probabilities is incalculably great, and is recognized by the law in a variety of relations.

Mr. Justice Brandeis, dissenting: It is urged that a union agreement curtails the liberty of the operator. Every agreement curtails the liberty of those who enter into it. The test of legality is not whether an agreement curtails liberty, but whether the parties have agreed upon some thing which the law prohibits or declares otherwise to be inconsistent with the public welfare. The operator by the union agreement binds himself: (1) to employ only members of the union; (2) to negotiate with union officers instead of with employees individually the scale of wages and the hours of work; (3) to treat with the duly constituted representatives of the union to settle disputes concerning the discharge of men and other controversies arising out of the employment. These are the chief features of a "unionizing" by which the employer's liberty is curtailed. Each of them is legal. To obtain any of them or all of them, men may lawfully strive and even strike. And, if the union may legally strike to obtain each of the things for which the agreement provides, why may it not strike or use equivalent economic pressure to secure an agreement to provide them?

It is also urged that defendants are seeking to "coerce" plaintiff to "unionize" its mine. But coercion, in a legal sense, is not exerted when a union merely endeavors to induce employees to join a union with the intention thereafter to order a strike unless the employer consents to unionize his shop. Such pressure is not coercion in a legal sense. The employer is free either to accept the agreement or the disadvantage. Indeed, the plaintiff's whole case is rested upon agreements secured under similar pressure of economic necessity or disadvantage. If it is coercion to threaten to strike unless plaintiff consents to a closed union shop, it is coercion also to threaten not to give one employment unless the applicant will consent to a closed non-union shop. The employer may sign the union agreement for fear that labor may not be otherwise obtainable; the workman may

sign the individual agreement for fear that employment may not be otherwise obtainable. But such fear does not imply coercion in a legal sense.

In other words an employer, in order to effectuate the closing of his shop to union labor, may exact an agreement to that effect from his employees. The agreement itself being a lawful one, the employer may withhold from the men an economic need—employment—until they assent to make it. Likewise an agreement closing a shop to non-union labor being lawful, the union may withhold from an employer an economic need—labor—until he assents to make it. In a legal sense an agreement entered into, under such circumstances is voluntarily entered into; and as the agreement is in itself legal, no reason appears why the general rule that a legal end may be pursued by legal means should not be applied. Or, putting it in other words, there is nothing in the character of the agreement which should make unlawful means used to attain it, which in other connections are recognized as lawful.

There was no attempt to induce employees to violate their contracts.—The contract created an employment at will; and the employee was free to leave at any time. The contract did not bind the employee not to join the union; and he was free to join it at any time. The contract merely bound him to withdraw from plaintiff's employ, if he joined the union. There is evidence of an attempt to induce plaintiff's employees to agree to join the union; but none whatever of any attempt to induce them to violate their contract. Until an employee actually joined the union he was not, under the contract, called upon to leave plaintiff's employ. There consequently would be no breach of contract until the employee both joined the union and failed to withdraw from plaintiff's employ. There was no evidence that an employee was persuaded to do that or that such a course was contemplated. What perhaps was intended was to secure agreements or assurances from individual employees that they would join the union when a large number of them should have consented to do so; with the purpose, when such time arrived, to have them join the union together and strike—unless plaintiff consented to unionize the mine. Such a course would have been clearly permissible under the contract.

The purpose of interfering was confessedly in order to strengthen the union, in the belief that thereby the condition of workmen engaged in mining would be improved; the bargaining power of the individual workingman was to be strengthened by collective bargaining; and collective bargaining was to be ensured by obtaining the union agreement. It should not, at this day, be doubted that to induce workingmen to leave or not to enter an employment in order to advance such a purpose is justifiable when the work-men are not bound by contract to remain in such employment.

5. THE STRIKE AS A WEAPON

See chapter xx, Selection 4.

PROBLEMS

1. The Clayton law declares that labor is not a commodity. What difference does this provision make to the law existing at the time of the passage of the Clayton Act?
2. "The passage of the Clayton Act marks the biggest step taken since slavery and serfdom." "The Clayton Act is a gold brick for the working man." Discuss.
3. Under the Clayton Act picketing, strike benefits, boycotting, and advising others to cease to patronize are lawful if carried out by peaceful and lawful means. What are "lawful means"? What changes are made in the law as it existed before the passage of the Clayton Act?
4. Under the interpretations placed upon the Clayton Act by the majorities of the Supreme Court, what is the existing status of the law concerning labor organizations with regard to (*a*) exemption from the operation of the Sherman Anti-trust law, (*b*) protection from the indiscriminate use of the injunction, (*c*) freedom to organize workers, (*d*) picketing, (*e*) boycotting?
5. Describe the present status of the law with regard to boycotting.
6. The state of X has a law forbidding the issuance of injunctions in labor disputes to prevent picketing, and advertising the fact that a strike exists. Employer A applies for an injunction, alleging conspiracy to injure his business through picketing. It is denied. He carries his case to the Supreme Court of the United States on the ground that the statute is unconstitutional. Decision? Give reasons.
7. In a prominent case the court speaking of picketing says: "In going to and from work, men have a right to as free a passage as the streets afford, consistent with the rights of others to enjoy the same privilege. We are a social people, and the accosting by one of another in an inoffensive way and an offer by one to communicate and discuss information with a view to influencing the other's action are not regarded as aggression or a violation of the other's property right. If, however, the offer is declined, as it may rightfully be, then persistence, importunity, following and dogging become unjustifiable annoyance and obstruction which is likely soon to savor of intimidation."

   Do you agree with the conclusion of the court? Should workers be allowed to intimidate through the use of picketing? What should they be allowed to do once a strike is started?

8. Give the facts in *Coppage* v. *Kansas* and the court's decision.
9. Why should a state pass such an act making it unlawful to require as a condition of employment that a man not join a labor union? Is such an act founded upon a sound policy? Is it the business of the courts to inquire whether or not it is based upon a sound policy? What is the court supposed to do?
10. "Can there be one rule of liberty for the labor organizations and its members and a different and more restrictive rule for employers?" (*Coppage* v. *Kansas*.) Reason with the court.
11. Recite the facts in the case of the *United Mine Workers of America* v. *The Coronado Coal Company*. What was the decision relative to the liability of unincorporated unions to suit for acts which cause damage?
12. Before the decision in the Coronado case some people thought that action for damages suffered could be maintained only against the individual wrongdoers or their principals. What was the practical difficulty in recovering under such conditions for damage done during strikes?
13. The issue in the Coronado case was one not for a court but for the public to decide. We cannot afford to have a policy of such importance determined by the judiciary." Discuss.
14. "To hold in the present state of uncertainty and illegality curbing labor's methods that unincorporated unions can be sued as unions may well tend to further the exploitation of the economically weaker individual, the worker." Discuss. Is this necessarily an argument against the decision in the Coronado case? What does it suggest? What is the law in England as expressed in the Trades Disputes Act of 1906? How did the law come to be passed?
15. Recite the facts and the decision in the case of *Hitchman Coal and Coke Company* v. *Mitchell*. On what grounds does Mr. Justice Brandeis dissent from the majority opinion?
16. "If the holding in the Hitchman case be sound, then unionism is balked." Why or why not?
17. "Such cases as *Coppage* v. *Kansas* and *Hitchman Coal and Coke Company* v. *Mitchell* demonstrate that labor cannot stay out of politics." Discuss.
18. Compare the reasoning of Mr. Justice Pitney in the Coppage and Hitchman cases.
19. What determines whether or not a strike is legal? Cite illustrations.
20. "The trend of court decisions demonstrates how futile are the tactics of unionism." Discuss.
21. "What labor needs is a series of methods which do not inevitably align the public against it." Discuss.
22. If labor is to secure its objectives what methods and devices should it seek to develop?
23. "Law lies in the last analysis in the assent of the community. When the courts act they are but giving sanction to the wishes of society." Discuss.

CHAPTER XXIX

METHODS OF SECURING INDUSTRIAL PEACE

1. COMPULSORY ARBITRATION

a) COMPULSORY ARBITRATION IN AUSTRALASIA[1]

Compulsory arbitration in one form or another exists in New Zealand and in all the Australian states except Victoria and Tasmania,[2] which regulate the relation between employers and employees by means of wages boards. No state having adopted it has seen fit to abandon it and all the earlier states to enact compulsory arbitration laws have, within recent years, revised their laws in the direction of making them more comprehensive.

In spite of the fact that most people who talk of the Australian method of dealing with industrial disputes place emphasis upon the feature of compulsion, all the states having arbitration courts endeavor to make the fullest possible use of either mediation or conciliation, and sometimes of both, before referring disputes to the court.

In New Zealand and in New South Wales there are conciliation commissioners, who on receiving notice that an industrial dispute has arisen, proceed at once to the scene and endeavor to secure a voluntary agreement between the parties. If they fail in this, the commissioner has the authority to summon the parties to attend a conference. The disputants need not wait, however, for the commissioner to take cognizance of the dispute. Either of them may make application.[3]

The success of the New Zealand conciliation councils in settling disputes is shown by the statement that from January 1, 1909, when they began their work, to March 31, 1915, the councils had dealt with 694 disputes. Of this number 466, or approximately two-thirds, were fully settled in council, 130 more had been substantially settled there, with only a few points on which an agreement had not been reached

[1] Taken with permission from M. B. Hammond, in *Proceedings of the Academy of Political Science*, VII (January, 1918), 19–30.

[2] Since this was written Compulsory Arbitration has been provided for in certain matters in Tasmania.

[3] In order to bring disputes before the court employers and employees must be organized in associations or unions.

to be referred to the court, while in only 98 cases, or about one-seventh of the total number, was it impossible to settle the main difficulties and the whole dispute had to be referred to the court. It would, however, be a great mistake to conclude that this happy experience which New Zealand has had with conciliation shows that the arbitration courts were not needed. The truth of the matter is that the one great reason why the conciliation commissioners have been able to secure so many voluntary agreements from the disputants is that these disputants realized that unless they did reach an agreement, the dispute would go automatically to the arbitration court for settlement. Experience everywhere shows that the parties to a dispute prefer to settle their own differences rather than to have the intervention of a third party.

In all the Australasian states having the system of compulsory arbitration, the voluntary industrial agreements made by employers and employed are given full recognition in law and, when registered, have the same binding force as do the awards of the courts.

When both mediation and conciliation have failed to secure a voluntary agreement between disputants, the industrial dispute goes to the arbitration court for the making of an award which is made binding on both parties. In every state the arbitration court is presided over by a judge of the highest court.

In all the arbitration courts the effort is made to simplify the proceedings before the court. The judge himself always takes an active part in the proceedings, questioning closely the witnesses in regard to matters in which he is in doubt, and which appear irrelevant.

The final award of the court covers all the matters in controversy and binds not only the parties to the original dispute but all other employers and employees in that industry within the area designated. Frequently the award covers the entire state. To make an award which fixes the wages to be paid, the hours to be worked and many other conditions of employment, binding on certain employers in the industry and not on their competitors, would give the latter great advantages. The attempt is made to deal justly with all by giving to all persons likely to be affected by an award an opportunity to present their claims and objections at the time the case is heard.

The awards of the arbitration courts have resulted in the most complete system of industrial regulation which the modern world had ever known prior to the outbreak of the present war. For an arbitration court to prevent strikes, its authority must be sufficient to enable it to deal with all those matters which may be made the subject of an industrial dispute. From the New Zealand awards alone I have compiled a list of not less than seventy separate subjects. Some of the matters such as the right of the workers to demand the discharge of a cook, or the obligation of the employer to give the men an opportunity to smoke, may seem of trivial importance, but if they are regarded by the parties themselves as of sufficient importance to lead to a strike, there is no alternative for the court. It must decide the matter.

The most important matters which have been dealt with are:

1. In all industries and trades in which awards have been made (and they include all the important industries and occupations except agriculture and domestic servants) the lowest grades of workers have obtained a living wage which has slowly and steadily been raised by the courts as the cost of living has increased.

2. Skilled workers have obtained a minimum wage in their respective trades in excess of that paid to the unskilled workers. This has been intended to compensate the lowest grade of skilled workers and to take into consideration the degree of regularity of employment. No attempt is usually made to fix the actual wages paid to those having superior skill or attainments.

3. The eight-hour day has been established in practically all industries which are not required by the nature of the occupation to continue operations for a longer period. In many occupations the hours of work have been fixed by the court at 44 or 45 per week.

4. In all those trades in which the workers are strongly organized—and they now include all the most important occupations—trade unionists have been given the preference in employment over other workers. This grant of preference has been accompanied by the provision that it shall continue to operate only as long as the union is open to any workers possessing the requisite skill and agreeing to pay the very moderate entrance fees and monthly or weekly dues which the court prescribes. Preference to unionists will seem to some in my audience an extraordinary action on the part of a court which is supposed to respect the rights of all workers, non-unionists as well as others, but the system of compulsory arbitration requires that collective bargaining be considered as the normal and usual method of making industrial contracts.

5. Other important matters covered by the courts' awards are the number and proportion of apprentices who may be employed, the amount of overtime which may be worked and the rate of pay for such overtime, the number of holidays and when they are to occur, hours

for meal-time, the character of board and accommodations to be furnished men not living at home, preference of employment to be accorded to workers already employed when new machinery is introduced, seniority in promotion, etc.

To workers generally the system of compulsory arbitration tends to guarantee a fairly high level of earnings and moderately good working conditions, which may not be so good as strongly organized bodies of workers could obtain without the support of the law but which are better than most laborers would obtain without some scheme of industrial regulation. Personally, I am not convinced that these wages and working conditions are better in the arbitration states than in the State of Victoria, which regulates wages and hours by means of wages boards and does not undertake to prohibit strikes. But if I had to choose between compulsory arbitration and the industrial anarchy which exists in many places in this country I should unquestionably prefer compulsory arbitration, because I should know that the lowest grades of workers could obtain by it comfortable working conditions and at least subsistence wages.

In spite of the failure of the compulsory arbitration laws entirely to prevent strikes, New Zealand has certainly had remarkable success in reducing strikes under her law. The results attained by the Australian Commonwealth Arbitration Act have been even more remarkable.[1]

b) THE AUSTRALIAN FEDERAL ARBITRATION ACT

Constitution of the Federal Court[2]

The Australian Federal Constitution of 1900 gave to the Federal Parliament power to make laws with respect to "conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one State." In pursuance of this power, an Act was passed in 1904, constituting a Court for Conciliation, and where conciliation is found impracticable, arbitration. The arbitration is compulsory in the sense that an award, if made, binds the parties. The Act makes a strike or a lockout an offence if the dispute is within the limits of one State.

[1] In New South Wales, however, there have been an enormous number of strikes.

[2] Adapted with permission from Henry Bourne Higgins, "A New Province for Law and Order," *Harvard Law Review* (November, 1915), pp. 13–14, 23, 33–35.

Under the Act, the Court consists of a President, who must be one of the justices of the High Court of Australia. The High Court is modelled on the Supreme Court of the United States.

The system of arbitration adopted by the Act is based on unionism. No party can file a complaint for the settlement of a dispute except an "organization," that is to say, a union of employers or of employees registered under the Act. One of the "chief objects" of the Act, as stated in Sec. 2, is "to facilitate and encourage the organization of representative bodies of employers and of employees and the submission of industrial disputes to the Court by organizations."

This article is confined to the Federal Court of Conciliation. But American readers should know that in each of the six Australian States there is some wages board system under the State law or some industrial or arbitration Court. There is no organic connection between the State systems and the Federal system. The object of the wages boards is primarily to prevent sweating or under-payment; the object of the Federal Court is to preserve or restore industrial peace. The Federal Court deals with disputes, as such, and prescribes wages, etc., merely as incidental to the prevention or settlement of disputes; the wages board prescribes minimum wages and has no direct relation to disputes. But, as is obvious from the nature of the case, the systems often overlap. The wages boards cannot deal with all industrial conditions; the Federal Court can deal with any industrial condition that comes into dispute. The wages boards do not publish the reasons for their determinations; the Federal Court does. As a result I find that the wages boards frequently look for guidance in their action to the reasoning of the Federal Court. The wages boards, within the limits of area assigned to them, bind all employers by their determinations; the Federal Court can only bind those who are concerned in the dispute.

Relative Success of the Court in Preventing Strikes[1]

In the whirling confusion of the times how far has this Court aided in securing the continuity of industrial operations? There occurred 1,647 strikes in Australia during the years 1914–15–16–17; but so far as can be traced only three of these 1,647 strikes occurred in disputes that could possibly be entertained by this Court.

The Court is empowered to deal with such disputes as extend beyond the limits of any one state; and before the Court was created

[1] *Ibid.* (December, 1920), pp. 106–11.

there were many strikes in such disputes. Even from 1904, when the Court was created, up to May, 1919, there were only three disputes at the most within its jurisdiction that were accompanied by a strike—partial or general.

The greater the existing unrest, the more remarkable do these figures appear. But apart from these telling figures there have been, to my personal knowledge, many cases in which strikes would have occurred but for the influence of the Court. It is quite a common thing for the officers of a union to restrain their members from strike on the ground that the claims are to be brought before the Court, and that the Court will not deal with them if the members strike to obtain what they seek. Since May, 1919, however, the number of strikes in disputes which the Court has power to handle has increased. There was, first, the seamen's strike, May to August, 1919; then the marine engineers' strike; and now (July, 1920) the gas strike.

The Compulsory Feature[1]

From our Australian point of view, the objections so fiercely urged in America and in Great Britain to compulsory arbitration appear to be fanciful and irrelevant. Compulsion may be applied at either of two points: compulsion to submit to arbitration before strike, and compulsion to obey the award. Under the Australian act, both kinds of compulsion are applicable; and no voices, so far as I know, are now raised against either. Regulation by tribunals of some sort is accepted; it is welcomed especially by the unions—the great majority of the unions. In the next place, while it is quite true that well-drawn collective agreements would be, as to most subjects, preferable to awards, it is generally impossible to get such agreements. Sometimes there are thousands of respondents, often hundreds; many put in no appearance and will make no agreement. Even among the respondents who do appear, there are many who will dissent from certain proposals. If the Court has no compulsory power at all, it must very often wait in vain for universal consent. There will either be no agreement at all, or the agreement must be on the lines dictated by the most obstinate. With compulsion in the background, the agreement will be on the lines which the reasonable employers favour. Under the Act, the first duty of the Court is to try to get agreement; and only if and so far as it cannot get agreement as to a claim to award. The ideal of the court is to get such a regulation as the parties ought to

[1] *Ibid.* (December 1920), pp. 126–27.

put in a collective agreement; and compulsion means merely that as to claims on which the parties cannot agree, or as to which some of the parties will not agree, the Court can make an award. Very often the mere fact that the Court has a power of compulsion in reserve impels the parties to find a line of agreement; and reasonable employers are more willing to make concessions when they feel that their competitors are to be bound by the same terms. In the analogous matters of protecting workers from dangerous machinery, of providing compensation for accidents, of limiting the hours of children's work, there could have been no relief if the workers had had to wait for universal agreement on the subject; and legislatures have had to make such matters the subject of direct coercive enactment.

c) THE KANSAS COURT OF INDUSTRIAL RELATIONS[1]

When labor and capital refuse to work harmoniously together and when the tactics of either threaten to interrupt and cut off the production and distribution of essential commodities, what is the proper course of action for the body politic? Mr. Henry J. Allen, the aggressive governor of Kansas, evolved an idea out of the coal strike of November and December, 1919, and embodied it in the act creating the Kansas Court of Industrial Relations.

This act provides: *a*) *that the operation of industries, employments, etc., is "affected with a public interest" and therefore* subject to supervision by the state "for the purpose of preserving public peace, protecting the public health, preventing industrial strike, disorder and waste, and securing regular and orderly conduct of the businesses directly affecting the living conditions.

b) *That a Court of Industrial Relations be created, consisting of three judges appointed by the governor.* The first judges appointed are to hold office for three, two, and one years respectively; thereafter the appointments are for a period of three years.

c) *The the court upon its own initiative may interfere* when it shall appear to the court that the controversy may endanger the continuity and efficiency of service. If it appears to the court that the parties are unable to agree, it is under duty to interfere: (1) upon complaint of either party to the controversy; (2) upon complaint of any ten taxpayers of the community in which an industry is located; (3) upon complaint of the attorney-general of the state of Kansas.

[1] Taken with permission from an article by Willard E. Atkins, *Journal of Political Economy* (April, 1920), pp. 339–52.

d) That the court has power to summon all necessary parties, investigate, and make all necessary temporary findings and orders, and, after a hearing to make findings, stating terms and conditions "upon which said industry, employment, utility, or common carrier should be thereafter conducted."

e) In case of limitation, or cessation of industry which seriously affects public welfare the court can take action to "take over, control, direct, and operate the industry."

f) The penalty provision of the Act states that anyone guilty of violating the Act or any valid order of the Court of Industrial Relations shall be deemed guilty: (1) of a misdemeanor and subject to a fine of one thousand dollars or imprisonment in the county jail for one year, or both penalties; (2) if as an officer of either corporation or organization he shall wilfully use the power or authority incident to his official position with intention to influence or impel violation he will be deemed guilty of a felony and subject to a fine of five thousand dollars or two years in the county jail, or both penalties.

Other outstanding features of the Act are the provisions declaring: the court may order changes in the matters of working and living conditions, hours of labor, rules and practices, and assure a reasonable minimum wage, or standard of living; the right of capital to a fair rate of return; the right of unions incorporated or unincorporated to bargain collectively and to be represented by men of their own choosing. Provision is made for appeal from decisions of the court to the Supreme Court, which shall put the appeal first upon its docket, thus avoiding delay, but the appeal must be made within ten days. After thirty days have elapsed, in the absence of appeal, the findings of the court are absolute and may be changed only by agreement of both of the parties with the consent of the court, or by order of the court, which will consider appeal for revision only after the parties have made a bona fide effort to conform to the decision for a period of sixty days and have found it to be unjust. The use of the strike, boycott, or picketing is forbidden to labor and employers may not limit or cease operations in order to affect either the wages of the worker or the price of a commodity.

The doctrine of public interest in the Kansas Act is an interesting contribution to the constantly growing concept which has been creeping into legislation. Why such a great growth in the doctrine of public interest should occur at this time is explainable only through

considering the historic background of the legislation. First, the Act seemingly is colored with the impatient thought of the present post-war period. Indeed, under more tranquil conditions it is difficult to conceive of similar legislation evolving for some time to come. The mining of coal in Kansas has been attended with many strikes, the miners around Pittsburg leading in an exasperating succession of effort none too well defined in purpose or results. It remained, however, for the nation-wide bituminous strike to bring matters to an issue. When that occurred the state called for volunteers to mine coal. Guarded by the Fourth Regiment, Kansas National Guards, volunteers proceeded to Pittsburg and through their efforts and that of other volunteers Crawford, Cherokee, and Linn counties produced about two hundred cars of coal. Later came the settlement of the national strike.

Governor Allen saw an opportunity to clinch matters. A special session of the legislature was called. The members came with determination to make a finished job of it. "The radical labor," the governor states, "headed by representatives of the four railway brotherhoods, swarmed. They tried first their old-fashioned plan of intimidation. They sought to re-enact the tragedy of the Adamson Law. Then they pleaded. Then the attorneys for the employers protested and after that these Kansas legislators passed the bill and went home."

The incident is indeed an example of legislative promptness and decisiveness. One cannot help wishing, however, that the situation had been a little less tense, that there had been a little less of the spirit of settling the matter once and for all. Had the minds of the legislators been somewhat less blunted by the immediate circumstances, it is possible that it might have been clear: (1) that there are limits to the implications which some people find in the doctrine of public interest, for when, as it frequently happens among public utilities, increased wages mean increased rates, the public cannot be impartial; and when difficulty arises between employer and employee, especially when the doctrine of public interest is spread as it is in the Kansas Act, the interest of the public is very distant and indefinite as compared to that of the worker who is fighting for what he considers his very existence; (2) that American workingmen have had what they consider bitter experience with the courts, and the Act might provoke rather than curb difficulty; and (3) that the proposed court provokes for appoint-

ment of judges by the governor, who is not bound in any way to make it a truly representative group.[1]

Naturally a law of such extraordinary content has aroused criticism and defense of the most virulent type. Governor Henry J. Allen, who called the legislature in special session to present the bill and who sponsored it throughout the proceedings, fought the criticism of the four railway brotherhoods and other labor groups in his speech on January 5, the opening day of the session, admitting that "from all over the state there is coming a flood of protest from various union bodies" but the critics are those "who are not concerned in this bill, who do not belong to the essential industries affected by it, and who have made absolutely no study of the plan, but who are being urged by professional labor leaders to save the day." Frank P. Walsh, who appeared at the public hearings and led off with a four-hour speech against the measure, calls it "a cat of nine tails with which the backs of labor may be lashed," a plain violation of the thirteenth amendment prohibiting slavery and involuntary servitude, and Samuel Gompers, in a speech at Trenton, New Jersey, on March 14, stated that "Governor Allen will have to reckon with labor if he lives long enough."

Manifestly the Act is contrary to what labor has commonly considered to be its interests. Although the Act permits organization and recognizes it, it declares labor has the right to representation in disputes and in court through attorneys or other individuals of its own choosing, and although a declaration is made affirming labor's right to a fair wage and decent conditions and although the court does not interfere except where disagreements affect production and transportation, still these concessions have not reconciled labor, ordinarily, to the degree that labor has felt it could give up the right to strike. The experience in this country, the history of legislation in England leading up to the British Industrial Disputes Act of 1906, which places no limitation upon the strike, the Canadian Industrial Disputes Act, which makes provision for certain strikes to be called legal and has not prevented many illegal ones, and the checkered history of compulsory

[1] It is well to note the degree to which the legislation differs from the suggestions advanced by the recent Industrial Conference called by President Wilson. No machinery is created to further conciliation, to stimulate co-operation of the two parties through agreement among themselves. Nor is there any provision for one member to represent capital, another labor, and a third the public. The court is composed of three men appointed by the governor, the theory being that they represent the entire public.

arbitration systems, do not suggest that Kansas has a substitute for strikes, or that striking may not be an excellent thing to recognize on certain occasions.

Yet too broad generalizations must not be made. Kansas is not a manufacturing but an agricultural state. Labor, on the whole, is weak. There is relatively little feeling of class cleavage. Although in the neighborhood of Pittsburg some tense feeling has existed among the miners, labor problems have been slow to grow.

Moreover, there is no reason to think that the present Act will not be amended from time to time as experience points out its imperfections; nor is there reason to believe that if it is declared unconstitutional,[1] no further attempt will be made to bring legislation more actively to bear upon problems of labor and production. Conceivably the court will be judicious enough not to burn its fingers with attempting the impossible. The present Act is but a first step; whether in the right or wrong direction is not yet wholly clear. There are possibilities in it. At least, if it is in the wrong direction, the experiment will confirm somewhat the views of those who believe that, though the field is a proper one for legislation, the approach ordinarily should not be with the idea of taking away the right to strike from labor or the right to lockout from the employer, but with the idea of equalizing the situation, of removing confusion and uncertainty as to the status of the law, and of placing emphasis upon mediation and conciliation, through providing machinery for facilitating such achievements.

2. COMPULSORY INVESTIGATION

a) NINE YEARS OF THE CANADIAN ACT[2]

Comment in the United States on the Canadian industrial disputes investigation act within the last six months has been at once abundant and diverse. "The wisest and most successful labor legislation anywhere adopted," Charles W. Eliot wrote of it. "A false step, reactionary, un-American," is the verdict of Samuel Gompers on its application to this country. These two remarks typify the discussion that has been going on since President Wilson first recommended to Congress that it pass an act similar in principle to the Canadian law.

[1] Later, in a unanimous decision by the United States Supreme Court in June, 1923, on a case involving packing house employees, the part of the act providing for the fixing of wages was declared unconstitutional.—Ed.

[2] Adapted with permission from Ben M. Selekman, "Nine Years of the Canadian Act," *Survey* (March 31, 1917), pp. 747–50.

Under the law in question, which was enacted in 1907, it is illegal to declare a strike or lockout in mines or other public utilities until a full investigation into the merits of the dispute has been completed. Thirty days' notice must be given of any intention on the part of either employer or workers to secure a change in wages or working conditions. If at the end of this period no agreement has been reached, application must be made for a board of investigation and conciliation. The minister of labor then arranges for the creation of such a board, one member of which is nominated by the employers, one by the employees, and a third by joint recommendation of the other two members.

This board considers the facts of the case in dispute and makes its report to the minister of labor. After that, employers and employees are free to accept or to reject the recommendations and to resort to strike or lockout. Penalties are provided, ranging from $10 to $50 a day for each man, if employees strike, and from $100 to $1000 a day if employers lockout their workers without asking for a board or without waiting for its decision.

It is interesting and significant that hardly any of the Canadian trade unionists advance the argument heard in this country that such a law means compulsory servitude for the wage-earners. On the contrary, most of them approve of the principle of the law, and direct their criticism purely against administrative defects. Their object was chiefly that the minister of labor has refused to appoint a board on one or two occasions upon the application of a local union; that delays have often characterized the appointment and the hearings of the boards; and that it is difficult for them to secure a favorable decision.

To understand the objections of organized labor in Canada, we ought to know the nature of the procedure under the act. Contrary to the common conception in this country, the disputes act has operated not as "compulsory investigation," but as a "conciliation" measure. That is, the machinery of the law is used to bring together the opposing parties under public auspices and to adjust their difficulties. The compulsory features of the act which impose a penalty for violation and the definite rules of procedure have not been emphasized in its administration. For this reason, the use of stenographers at the hearings held in the presence of the boards has always been discouraged.

The conciliatory spirit and flexible manner in which the act has been administered has probably been responsible for the delays of

which organized labor complains. The official reports of the Canadian Department of Labour indicate that at times long periods have elapsed between the application for boards, their constitution, and the rendering of their reports.

How far these delays constitute a real grievance should be indicated to some extent by the character of the reports, when they are finally rendered. They should also show whether, as many trade union officials contend, it is difficult for labor to secure a favorable report because of the bias of the chairman.

For the nine-year period ending March 31, 1916, there were altogether 161 fully established boards which conducted hearings. In ninety-two of these disputes, or over one-half, the reports were unanimous. In only thirty-five cases did the employes' representative dissent from the majority report, and in twenty, the employers' representative dissented.

As for our editorial writers, public officials and employers, Canadian experience hardly justifies their enthusiasm for the essential feature of the proposed measure—that no strike or lockout shall legally take place before an investigation is completed. In Canada this compulsory feature has been a dead letter so far as the miners and unskilled workers are concerned. As for the railroad brotherhoods, it is very doubtful whether it is necessary to restrain them from striking before the completion of an investigation. Most of the railroad employes stated that they observed the law not because they were afraid of being prosecuted, fined, or imprisoned but because they did not wish to appear as law breakers in the eyes of the community and thus antagonize public opinion. "The railroad brotherhoods like to have the reputation of being lawabiding, intelligent citizens and it is for this reason that we have observed the law," declared a representative of the locomotive firemen and enginemen. In other words, they are not opposed to public investigation but they are not greatly influenced by the compulsory features of the law.

Prof. Adam Shortt was chairman of eleven boards in the first two years after the act was passed. In every one of these disputes a settlement was effected and he has the reputation of having been the most successful chairman appointed under the act. In his opinion, the clauses which restrain the men from striking pending investigation are practically unnecessary.

"The only value they have," he said in substance, "is that they make the union reluctant to fly in the face of public opinion. It

does not make them afraid to violate the law because they know that it cannot be enforced. But the same thing could be gained if you simply provided the machinery for investigation. Those unions which respect public opinion would not strike in the face of this established machinery. Another thing," he continued in substance, "if it has been found difficult to enforce the law in Canada, it means that it will be much more difficult to enforce a similar law in the United States. For in this country [Canada], under the cabinet system of government, fewer laws are passed, the whole government is held responsible for them, and they are taken much more seriously than in your country. We don't speak of laws as being 'dead letters' as you do."

Certainly the public interest in the continuous operation of the nation's railroads is so vital that the facts ought to be known before a strike or lockout occurs. Canadian experience does not show just how effective public opinion can be in preventing an interruption of services. No attempt has been made in Canada to build up a body of continuous facts regarding labor disputes on public utilities, and the data on wages, cost of living, hours of work, rates and dividends available in the different government departments have not been collected and placed at the disposal of the boards. Each one has made its report on the facts presented by the parties involved in the particular dispute which was before it for adjustment.

The community ought to have the facts. The feeling is growing that the community ought to become a more powerful factor in preventing a tie-up of a public service industry. The public, on the other hand, cannot exert a very strong influence unless it has all the facts necessary to an intelligent opinion. Heretofore it has had them only as they were furnished to the press by the two partisans involved in labor disputes. They should be furnished by an impartial government tribunal on which both employers and workers may have representation.

But this does not necessarily mean that we should restrict the railway employes' right to strike. It does mean, however, that the government ought to establish the machinery both for the continuous collection of all the facts available on the various aspects of labor controversies and for an inquiry into the merits of particular disputes that arise from time to time. With a background of information previously collected, the facts about a particular dispute become more illuminating. Thus a fully enlightened public could exert a more intelligent influence.

b) THE RAILROAD LABOR BOARD[1]

The first act of the Federal Government for the settlement of railway-labor disputes was passed in 1888. The provisions of the law of 1888 provided for voluntary arbitration whenever any difficulty between railway managers and employees threatened to interfere with the movement of interstate commerce. The arbitration provision was never used throughout the 10 years in which the law was on the statute books. The investigation authorized by the act—the part of the law which seemed to most people at the time of the passage of the law the less important feature, was brought into use in one strike of large proportions; namely, the Pullman Strike of 1894.

The Erdman law of 1898, which followed the law of 1888, did not provide for an investigation by the Federal board but it made provision for mediation and conciliation.

Only one of 12 sections in the act dealt with mediation and conciliation. Yet, in the operation of the law, this one section proved of more significance than did all the other sections combined.

For eight and a half years after its passage the use of the Erdman Act was attempted only once. And this resulted in a complete failure. Thereafter until the passage of the Newlands law in 1913, 61 cases were settled under the Erdman Act. Twenty-six of these cases were adjusted through mediation, 10 by mediation and arbitration and 6 by arbitration alone. Of the remaining 19 cases some were settled without the intervention of the mediators but after their aid had been invoked, and others were cases in which the second party refused to accept the mediation by this commission.

Early in 1912, there was a concerted action by the Brotherhood of Locomotive Engineers on 52 railroads in the East. They demanded an increase in wages. Messrs. Knapp and Neill offered their services in an attempt to settle the dispute through mediation. In this they failed to get the desired results. However, they did arrange for a board of arbitration. The roads appointed Daniel Willard, president of the Baltimore & Ohio Railroad; the men appointed P. H. Morrissey, grand master of the Brotherhood of Railroad Trainmen. The neutral members were Oscar S. Strauss, Dr. Albert Shaw, Otto M. Eidletz, all of New York; President Charles R. Van Hise, of the University of Wisconsin; and Frederick N. Judson, of St. Louis.

[1] Adapted with permission from Clyde Olin Fisher, "Use of Federal Power in Settlement of Railway Labor Disputes," *U.S. Department of Labor Bulletin No. 303*, pp. 7–97.

The part of the report that is of significance in this study is that containing the recommendations made by the commission. In all contests of this kind the commission insisted the interests of the public must be held to be paramount; "it is an intolerable situation when any group of men, whether employees or employers, have the power to decide that a great section of the country, as populous as all of France, shall undergo great loss of life, unspeakable suffering, and loss of property beyond power of description through stoppage of a necessary public service." The report included an appraisal of the Erdman Act, which commended that clause making it unlawful for either side to an arbitration to call a strike or to inaugurate a lockout following the award unless 30 days' notice were given to that effect. But the two great weaknesses, it appeared to the commission, were those making it obligatory to hand down a decision within 30 days from the appointment of the board of arbitration and the failure to give the public adequate representation on the board.

During the arbitration of the firemen's case the conductors and trainmen in the East presented demands to the roads for increased pay and for changes in working conditions. In order to prevent a strike that would have been a serious matter for the entire country, President Wilson called a conference of the two parties to meet him in Washington. The representatives of the contestants agreed that if the bill then before Congress (S. 2517) were enacted they would submit the controversy to arbitration under the terms of the new act. This supplied the stimulus that was the immediate cause of the passage of the law known as the Newlands law which provided for an increase in the number of arbitrators that might be used; the creation of a United States commission of mediation and conciliation to take over the work that had been done by Judge Knapp and Commissioner Neill; authorization for the board to take the initiative in settling controversies; provision for the interpretation of the award in the event of a misunderstanding of it; permission to extend the length of time within which the board must reach a decision, etc.

Experience has shown that in the operation of the Newlands law just as in that of the Erdman Act, mediation has been of more importance than arbitration. In the 4-year period ending June 30, 1917, the board served in 71 controversies. Fifty-two of these were settled wholly by mediation, six by mediation and arbitration, three by the contestants without the aid of the mediators, one by act of Congress, and one at the time of making the report was yet unsettled.

Timothy Shea, assistant president of the Brotherhood of Locomotive Firemen and Enginemen, had announced in December, 1915, that the brotherhoods were planning the adoption of the eight-hour day, and that they would not arbitrate the question. On August 9 the railroad officials asked the men to join with them in a request for the intervention of the United States Board of Mediation and Conciliation. The men refused to do this. President Wilson invited both sides to meet him for a conference in Washington. At that time he proposed to the representatives of the two sides that the 8-hour principle be accepted and that a commission be appointed by him to investigate the demand for time and a half for overtime, the second of the two principal demands made by the men. The employees accepted this suggestion, but the railroad officials objected to giving the 8-hour day before an investigation was made.

Accordingly, on August 29 President Wilson appeared before Congress and asked the immediate passage of a law to prevent the threatened strike. With the approval of the President on September 3 the law, known as the Adamson law, was enacted.

Mr. Carter, in January, 1917, prepared a statement as to why the railroad men have refused to accept arbitration with the managers. He gave six reasons: (1) The roads had manufactured a public opinion that would have been hostile to the men; (2) the standard of the United States Board of Mediation and Conciliation for the selection of neutral arbitrators had proved to be unfair and partial; (3) the statistical evidence presented by the roads, although partisan and not scientific, would have overwhelmed the neutral arbitrators; (4) the influence of precedent would have operated against the men; (5) "the railroads, while proposing arbitration, refused to permit about 75 of the smaller roads to participate in the arbitration. Where these roads believed that the small number of employees made it possible for them to win a strike they refused to delegate authority to the railroads' committee to include them in the arbitration;" (6) the award would have been administered by the managers in accordance with their own interpretation of its meaning.

The entrance of the United States into the European war and the taking of the railroads out of private hands which followed brought with it peculiar problems in the railway labor field.

In order to have the machinery to settle the many wage questions the director general in this general order announced the creation of a Board of Railroad Wages and Working Conditions. Recommenda-

tions of this new board were submitted to the Director General for approval before they could be put into effect.

One of the objections to arbitration which the brotherhood leaders had urged was that the employer alone assumed the rôle of the interpreter of the various awards. In Order No. 13 Mr. McAdoo approved machinery which was designed to handle matters of interpretation and the adjustment of personal differences. The adjustment board was to consist of eight men, four to be selected by and paid by the railroads and four to be selected by and paid by the employees.

In the early part of 1919 Congress began to consider the future status of the railroads and to devise some plan for their operation after the anticipated peace with Germany and the automatic termination of Federal control. The law which finally passed both Houses of Congress was the transportation act of 1920. One section, Title III, is called "Disputes between carriers, and their employees and subordinate officials." Its principal provisions are:

Both the employers and the employees are to exert every reasonable effort by means of conference and otherwise to adjust any dispute that may interrupt interstate commerce. Failing to reach an agreement, they shall refer the controversy to the railroad board of labor adjustment authorized by the act.

Local or regional railroad boards of labor adjustment may be established by voluntary agreement between any carrier or group of carriers and any employees. Such boards are empowered to decide disputes involving grievances not decided by conferences as mentioned above. The services of any such board may be invoked by any carrier; by a group of not less than 100 employees; upon the initiative of the board itself; or by request of the Railroad Labor Board in case an interruption of traffic seems imminent.

The Railroad Labor Board is to consist of nine members. Three members are appointed by the President from a group of six names suggested by the employees, three from a group of six names suggested by the carriers, and three members named directly by the President. The President is to fill any vacancies that occur and is to appoint any member representing the employees or the carriers if they fail to suggest names within a given time.

No member of the Railroad Labor Board shall, during his term of office, hold a position in a railway labor organization or be financially interested in such organization. Neither shall he be pecuniarily interested in any carrier coming within the law.

The Railroad Labor Board is to hear any dispute regarding grievances, rules, or working conditions which an adjustment board certifies it has been unable to settle, or which it seems such board will be unable to settle within a reasonable time. The Labor Board can, also, on its own initiative, take any dispute into consideration if it seems necessary to take the question from the adjustment board. In case no adjustment board has been organized the disputes can come before the Railroad Labor Board in one of three ways: (1) upon application of any carrier or any organization of employees; (2) upon written petition from not less than one hundred unorganized employees; (3) upon the board's own motion.

A dispute concerning wages can come before the Railroad Labor Board in any one of three ways as mentioned above. Here the adjustment board has no jurisdiction. The Railroad Labor Board also has the power, within 10 days from the reaching of an agreement, to suspend any settlement which may have been arrived at by conference between the employers and the employees if such an agreement is likely to necessitate an increase in traffic rates of the carriers.

The law states definite criteria for the determination of a "fair wage": the scale of wages paid for similar kinds of work in other industries; the relation between wages and the cost of living; the hazards of the employment; the training and skill required; the degree of responsibility; the character and the regularity of the employment; and inequalities or increases in wages or treatment, the results of previous wage orders and adjustments.

Five of the nine votes are necessary to a decision. And if it is a question involving wages at least one of the representatives of the public group must concur in the decision. Full publicity is to be given the decisions of the board. In fact, this is the only means by which it is hoped to secure the acceptance of the awards made. The board is instructed, further, to investigate the relations between the employers and the employees and to publish its conclusions from time to time.

All the necessary machinery is provided for the subpoenaing of witnesses, taking testimony, and for making of rules and regulations for the guidance of the board.

The Railroad Labor Board may publish its conclusions in case it considers that the findings of any adjustment board are violated.

The act of 1920 marks a new departure in the means adopted to adjust labor difficulties on the railways. Prior to the period of Federal control the emphasis in all these measures had been placed upon the voluntary nature of the negotiations.

The law of 1920 establishes the primacy of the public interest. It is true that, in this respect, it does no more than was done under Federal control. But Federal control was exercised in a period of war emergency and is not to be considered apart from the extraordinary circumstances which gave rise to it.

Even now the voluntary cooperation of the contending parties is relied upon to settle these disputes in so far as possible by means of

conference committees. But such settlement can be set aside by the Railroad Labor Board if it is of such a nature as to necessitate a change in traffic rates, charged by the railroads. Here, then, is the final capstone placed upon the recognition of the welfare of the general public.

3. ARBITRATION BY MUTUAL AGREEMENT[1]

The fundamental idea in the agreements in the men's clothing industry is that of securing a peaceful and mutually advantageous method of carrying on industry. The method provides (1) for collective bargaining between firm and union both in making the original contract and subsequently to some extent in dealing with new matters, (2) for a permanent body (a board, or boards) to act judicially in interpreting and applying the agreement and, what is fully as important, to maintain as a living process the central idea of a joint interest in the on-go and conditions of the industry. To a degree as yet undetermined this "impartial machinery" also takes account of "public" interest, as distinct from the interests of the contracting parties.

The firm and the union, accordingly, negotiate an agreement which (*a*) declares the general end sought through the agreement by the respective parties; (*b*) lays down a very few specific terms, e.g. the number of hours that constitute a week's work, the provision for equal division of work in slack periods, the general schedule of wages with the methods for making readjustments where needed during the period covered by the agreement, the rights of the two parties as to hiring, discharge and discipline; (*c*) sets up one or more boards to act both in a judicial procedure by hearing cases and rendering decisions, and in an investigative, mediating and quasi-legislative capacity in dealing with situations not clearly covered by any rules.

In this latter capacity the general end or purpose of the agreement is regarded as supplying a principle to which recourse can be had when specific rules are lacking. In the Chicago agreements distinct functions are assigned to two separate boards called the Trade Board, and the Board of Arbitration. The first is the primary board for adjusting grievances, and changes in piece rates due to changes in styles, and for determining questions of fact and testimony. The second hears appeals, but concerns itself mainly with questions of principle and the application of the agreement to new issues as they arise, which may

[1] Taken with permission from James H. Tufts, "Building a Code of Law in the Clothing Industry," *Columbia Law Review* (May, 1921), pp. 405–13.

either be referred to it by the Trade Board or brought directly before it by petition from either party. In cities other than Chicago the dual system of boards has either not been set up by the agreement, or not used in practice. But in a market as large as Chicago where some 40,000 workers are employed there have seemed to be sufficient issues to keep two Trade Boards and a Board of Arbitration occupied pretty continuously. The period observed included parts of an unusually active and an unusually slack season and hence offered many special problems as well as the ordinary cases.

1. As is clearly stated by Professor Hale any such plan of arbitration based on voluntary contracts involves a balance of power as well as a supposedly impartial justice. Shall there be any limit to the number of apprentices, or shall a firm engage as many as it desires? At first it seems a simple matter of recruiting and training necessary craftsmen, or, to a teacher, a matter of affording a vocational opportunity to a boy. But it soon appears as a question of balance of power: the more apprentices, the greater the supply of skilled cutters; the fewer apprentices, the better control of the situation by the union. Who shall select the candidates? It appears at first the obvious province of employment management. But it soon emerges that the foreman who has it in his power to appoint may strengthen his hold upon a given worker by promising to appoint the worker's son, whereas if the union has the right to nominate, the prestige of the union organization is correspondingly increased. Shall a more effective process or method of production be installed? The obvious fact is that apparently the public as well as the firm will gain, and the worker will not suffer any direct reduction in rate of pay. But if the improved process means that fewer men are needed, if the more efficient subdivision of the process means that the all-around craftsman is no longer essential, the union sees power slipping away and reappearing in the employer's scale of the balance. At the expiration of an existing agreement the parties negotiate a new one and the terms of the new agreement represent the bargaining power of employer and workman. Is it fair for the arbitrator to render a decision which shall not merely affect wages and working conditions during the life of the agreement but shall to some extent affect the bargaining power of the parties in making another agreement?

How far should an arbitrator essay in an humble fashion the rôle of a statesman and endeavor to advance a philosophy of social order, and how far should he follow the policy of "hands off, let the contend-

ing interests settle for themselves the issues involving balance of power" just as the courts often refuse to pass on matters which, they say, belong to the legislature? If the arbitrator sways the balance strongly he is likely to make the losing party so dissatisfied that it will refuse to renew the agreement. If his decision is merely a reflection of the actual balance of power he seems not fully to justify the confidence reposed in him by the parties. For they seem to ask him to see farther from his position above the battle. And if he does rely on some philosophy of society in making his decision, shall it be the prevalent philosophy of present American life, or shall it be that of some supposedly better order? During my own experience the decisions of the Board on which I sat aimed in general to avoid any permanent displacement of the balance of power toward either end of the beam. They sought to effect this by giving increased power to the impartial machinery pending negotiations and revisions of the agreement by the parties at the proper time, i.e., when the existing agreement should expire and the question of renewal should arise. For example, temporary increases in apprentices were allowed as an emergency matter to firms which should satisfy the Board of their need for them, the percentage to revert automatically to the previous ratio as fast as apprentices should complete their term. In its general attitude I presume the Board was, unconsciously perhaps, acting in accord with the views of Mr. Justice Holmes as expressed in his address on "Law and the Court," although this address had not then come under the eye of the Board: "While there still is doubt, while opposite convictions still keep a battle front against each other, the time for law has not come; the notion destined to prevail is not yet entitled to the field. It is a misfortune if a judge reads his conscious or unconscious sympathy with one side or the other prematurely into the law, and forgets that what seem to him to be first principles are believed by half his fellow-men to be wrong."

Certain decisions which involved a social philosophy will be noted under subsequent heads.

2. A frequent question was that of broad versus strict interpretation of the agreement and of the rights and duties of the parties under it. One party would claim it had a right to a certain course of action because nothing in the agreement forbade it; or again a party would deny that anything in the agreement authorized an assertion of authority demanded by the other party in the interest of "justice." A typical case which brought up the issue of possible mutual obligations not specified in the contract was as follows: A certain firm in addition

to its main factory had opened and carried on for some weeks another factory, in which a different quality of clothing was made. This proved unprofitable and the firm decided to close this branch. The agreement had no clause explicitly covering such a situation. A clause which was framed for a somewhat analogous situation reads: "When sections are abolished, the company and its agents shall use every effort to give the displaced workers employment as much as possible like the work from which they were displaced, within a reasonable time."

There was some dispute as to whether the firm had given any previous notice to the workers of its intention to close the factory. The Board of Arbitration upheld in principle the ruling of the Trade Board which had first passed upon the case. It took the position that so far as the parties to these agreements were concerned labor is not merely a commodity. It held that the fundamental understanding which underlies the agreement is that the parties treat each other with mutual consideration, and that this would require either notice of sudden closing of a shop, or some provision to enable workers to find positions, or such other method of meeting a situation as might appear proper to the Board. In other words it held that here was an obligation arising out of the status of the parties. In reply to the objection that men not infrequently left employ without notice, the Board declared that if the whole body of workmen or such a large number of them as to cripple business were to leave suddenly without notice and go to another shop or for any other purpose, the Board would consider that this firm had a just grievance and would hold the union responsible to prevent such mass movement without proper notice. This decision implied of course a theory diametrically opposed to that of the *Adair* case and to the usual theory as I understand it of the courts where there is no explicit time contract. It is generally held that one or all workmen may be dismissed at any moment or may leave at any moment. The basis of this "right" may be supposed to be, as by Mr. Justice Harlan, "freedom," but the actual working of it is to render industry insecure.

3. A highly difficult problem which has its interesting legal analogies made its appearance in several cases: the problem of rights connected with certain usages of the trades or crafts employed. The firm claimed a general right to introduce improvements in machines, or in operation, or in organization and division of labor, with the provision that if any workman should be thereby affected injuriously in wages or in the difficulty of his work he should have redress through

the impartial machinery. The particular cases which brought up the issue were seemingly of slight importance. Should the linings to be cut by machine be piled one hundred high or only ninety as had previously been the case? The operator was working by the week and consequently his wages would not be affected. Should fabrics of different weave or color be piled together and cut in one operation or must each style of fabric be cut separately? At the time when this latter question arose there was a greater demand for cutters than could be supplied by the union and hence there was no question of displacement involved. The union considered the methods in vogue as standards sanctioned by usage. It maintained that the industry had formerly been in a deplorable condition not only in the matter of wages but also in relation to the health and general comfort of the workers; that these conditions had been step by step improved and standards made by agreement or otherwise; and that if these standards or usages could be broken down at will by the employer or even questioned by the Board their whole position was rendered precarious.

They felt not only that change in these standards by the employer would be like depriving them of their property without due process of law; they felt that here were certain absolute rights, which were not subject to law, but which on the contrary were to be supported by law. In other words they felt as judges have frequently felt about rights of private property. In certain cases where an improvement in process could evidently be secured, the union was quite willing that this should be effected, but just as the private land-holder whose property is taken for public use expects to receive some compensation, so they would expect if they granted to the employer or to the public a waiver of valuable customary rights to receive a *quid pro quo*. Of course the issue is an old one. It arose when machines were introduced. If one compares it broadly to the issue raised by certain legal titles to property he will probably find the equities and morals of the situation not wholly dissimilar. Much landed and personal property undoubtedly represents little or no service rendered to society, and at present may be at least as great an obstacle to public welfare as an inefficient method of cutting up cloth. Suppose my ancestor bought the island of Manhattan for a hundred dollars, or stumbled upon a coal or iron mine or an oil deposit in his pasture, or secured valuable franchises for a song, is it just that on this account I, myself, should be exempted from the necessity of any useful work and should be supported by the hands of society? Suppose my trade ancestor or predecessor bargained for a certain conception of a valuable service called "a cut," does this entitle me, his industrial or trade-union heir, to a continued advantage therefrom as though it were a specie dollar of specified weight and fineness? The prescriptive factor, undisturbed possession, is similar. From the standpoint of individualistic natural rights, I see no radical difference.

The Board found itself in several decisions coming to a view which suggests certain tendencies in the public attitude toward property. It held that usage, whether in craft-practice or in interpretation of the Agreement, does establish a sort of *prima facie* claim, but that until this claim has been presented, discussed, and considered before the impartial machinery, it cannot be considered as settled. In particular it held that a workers' group, like the family group, should be encouraged, since under our system it is the only institution for protecting the interests of a class which is not upon an equality with the employer in bargaining power. Hence the Board was unwilling to assert unqualifiedly that the employer might change a usage without the approval of the impartial machinery. But when a usage clearly conflicts with public welfare as involving restriction of output and where no matter of health is concerned, it has seemed that usage should give way, provided some measure at least of compensation be awarded the worker for the loss of an asset or bargaining point.

4. Wages are agreed upon by negotiation when agreements are entered into, but a safety valve for market fluctuations is provided by a section in the agreements which reads as follows: "If there shall be a general change in wages or hours in the clothing industry, which shall be sufficiently permanent to warrant the belief that the change is not temporary, then the Board shall have power to determine whether such change is of so extraordinary a nature as to justify a consideration of the question of making a change in the present agreement, and, if so, then the Board shall have power to make such changes in wages or hours as in its judgment shall be proper."

Cases under this section have arisen from time to time, especially under the rapidly rising markets and costs of living since 1917, and this has compelled the Board to consider what changes are "proper." In other words are there yet any standards for the "fair wage" which all statesmen at election time assure the workman he ought to receive? During the war the rapidly increasing cost of living was generally

recognized to be a ground for increase of wages. The extraordinary demand for labor in many occupations brought with it an offer of wages often in excess of the increased cost of living. In the most important cases which came before the Board during my tenure, the union asked for an increase of wages which should not only correspond to the increased cost of living but should make possible an improvement in the standard of living if the industry could afford it. It appeared from figures submitted that previous increases had in the main been sufficient to maintain the previous standards of living.

In some cases previous increases had exceeded the increased cost of living. The question then was, should a further increase be granted which would permit an improved standard of living. It was shown that such increases had already been made in other competitive markets. Should those who wear clothing pay a higher wage to those who make clothing? According to views of older days when people were divided into successive strata of worth and every occupation had its rank, one might consider seriously the question as to where the maker of clothing ought to rank in the social and economic scale. Our method of individualism and the competitive social order is either less or more rational as one pleases to look upon it. A short time ago it located makers of clothing nearly at the foot of the ladder in sweatshop conditions. To-day they are in the upper group of skilled crafts and, if the industry were not still to a considerable extent seasonal, would be as well paid as clerical work and as public school teacher or postoffice employee. Should it, then, be said that in the public interest further improvement in standard of living for this group was not justified?

The Board held that there is as yet no clear standard in our social order for assigning a relative position to any group of workers and that so far as the public interest is concerned, it would not be justified in singling out the clothing workers for an accounting unless data were also available for every stage in the process of production and marketing, and unless the test of fair profits as well as fair wages were to be made. In the absence of such data the Board held therefore that the workmen in this industry were entitled to take advantage of the increased demand for their product and their labor and to receive an increased wage.

For experience with trade agreements in the clothing industry see Selection 8(*b*), chapter xxi, Part Five.

4. PROPOSED NATIONAL SYSTEM FOR ADJUSTING INDUSTRIAL DISPUTES[1]

The second Industrial Conference called by President Wilson made public its final report March 20, 1920, in which it recommended joint organization of employers and workers as the most promising method of attacking problems arising from the relationships in industry. The system of settlement recommended by the conference consists of a National Industrial Board, local regional conferences and boards of inquiry to be established by the President and Congress as follows:

1. The parties to the dispute may voluntarily submit their differences for settlement to a board, known as a Regional Adjustment Conference. This board consists of four representatives selected by the parties, and four others in their industry chosen by them and familiar with their problems. The board is presided over by a trained government official, the regional chairman, who acts as a conciliator. If a unanimous agreement is reached, it results in a collective bargain having the same effect as if reached by joint organization in the shop.
2. If the Regional Conference fails to agree unanimously, the matter, with certain restrictions, goes, under the agreement of submission, to the National Industrial Board, unless the parties prefer the decision of an umpire selected by them.
3. The voluntary submission to a Regional Adjustment Conference carries with it an agreement by both parties that there shall be no interference with production pending the processess of adjustment.
4. If the parties, or either of them, refuse voluntarily to submit the dispute to the processes of the plan of adjustment, a Regional Board of Inquiry[2] is formed by the regional chairman, of two employers and two employees from the industry, and not parties to the dispute. This Board has the right, under proper safeguards, to subpoena witnesses and records, and the duty to publish its findings as a guide to public opinion. Either of the parties at conflict may join the Board of Inquiry on giving an undertaking that, so far as its side is concerned, it will agree to submit its contention to a Regional Adjustment Conference, and, if both join, a Regional Adjustment Conference is automatically created.
5. The National Industrial Board in Washington has general oversight of the working of the plan.
6. The plan is applicable also to public utilities, but in such cases, the government agency having power to regulate the service has two representatives

[1] Adapted with permission from an article by Willard E. Atkins in the *Journal of Political Economy*, XXVIII (May, 1920), 5.

[2] A board of inquiry only, not of arbitration.

in the Adjustment Conference. Provision is made for prompt report of its findings to the rate-regulating body.

7. The plan provides machinery for prompt and fair adjustment of wages and working conditions of government employees. It is especially necessary for this class of employees, who should not be permitted to strike.
8. *The plan involves no penalties* other than those imposed by public opinion. It *does not impose compulsory arbitration.* It does not deny the right to strike. It does not submit to arbitration the policy of the "closed" or "open" shop.

Naturally a plan which employs no legal authority except the right of inquiry will fail to satisfy those who want a showdown between labor and capital. But these groups may safely be left out of consideration in the discussion of the merits of the plan.

The plan frankly takes its position in the middle of the road. It doesn't leave the situation with the confidence of the *Commercial and Financial Chronicle* that "employers and employees are steadily coming together of themselves and by themselves," and hence "take off the meddling hands and keep them off," although that attitude always has many supporters. It does not adopt the idea of deciding, if necessary, the questions at issue for the parties and placing all who will not be reconciled in jail, whether there are enough jails to hold them or not. The strike, the lockout, picketing, boycotting, blacklisting—none of these are prohibited. No distinction is made between union and non-union men. Nor is there any effort to force the acceptance of any findings upon either party to the conflict. Legal compulsion is absent. The conference suggests machinery merely to get the parties together, exercising no physical compulsion or obedience to any opinions, findings, or agreements, but relying upon wisdom, or at least a settlement, to come out of discussion, with no sanction pushing the parties to agreement other than that arising out of public opinion which will have an opportunity to read the facts.

Inasmuch as the voluntary principle dominates the plan the parties must be induced to bring their case before the machinery suggested. This is evident. And the conference has worked out a most commendable method to gain this end. Since nothing but a unanimous agreement of the representatives of the workers and employers binds either party to the dispute, there is little to be lost by either party in submitting disputes to the tribunals created, and once submitted the purpose of the conference is accomplished; the parties are brought together. If one side submits its case, it seems reasonable that the

other will join, for, although there is no penalty, the party which refuses will have to justify its course before the public, oftentimes a difficult task.

Whether the ease with which an appeal can be made to governmental machinery will undermine collective bargaining of the customary type, is a question. It would seem desirable that as many conflicts be settled outside as possible; but it is a question if employers and unions are as likely to reach an agreement among themselves when both parties are conscious at all times of the ability to appeal. May not a host of trivial questions be brought before the machinery created which otherwise would be settled outside? The answer to the question depends, probably, upon the type of men who constitute the boards, and the skill, foresight, and wisdom of those who guide the plan nationally. No one can study the problem of conciliation and trade agreements without a profound respect for the play of personalities; oftentimes both the mode and terms of the settlement are as much a question of men as of machinery, or the particular wrongs, actual or imagined, of which the parties complain. Given a man in control like ex-Commissioner Neill, who will estimate lightly the possibilities of even this imperfect instrument projecting a wholesome influence at the table where capital and labor meet in daily parley? Perhaps in practice there will be a growing reluctance to let the matter pass into the hands of the government; certainly acquaintance and settlement of the first and then the second dispute will build within the two a strong tradition against appealing to the regional conferences.

To many the plan will appear commonplace, incomplete. Before the machinery provided begins to function, it is necessary for matters to come to a crisis. There is no provision for handling causes which may lead up to difficulty. It deals with effects; seeks solely to get the parties together for one last effort to find out if their differences are real or imaginary. Moreover, disputes may arise because of matters lying beyond the competence of either of the two parties. Who will say that the cost of living may not be the particularly irritating factor in any dispute? Yet the organization suggested is not in any way to study the fact, to make recommendations regarding legislation, or in any way to investigate the industrial unrest; it is limited to preventing unrest from uttering itself in interrupted production. A grant of power to recommend legislation to Congress which will remove irritating factors making for industrial warfare, much like the grant

of power now commonly given to public utility and minimum-wage commissions, would seem to be a desirable addition to the plan.

5. A PROPOSAL FOR THE REORGANIZATION OF THE RAILWAY INDUSTRY[1]

[NOTE.—From time to time projects arise for changing the existing system of control in industry. The following widely advertised proposal presents one concrete plan of this sort for a basic American industry.—ED.]

Who has endorsed it?

The two million organized railroad employees of America; and the American Federation of Labor, approving the principle of government ownership, has instructed its executive committee to co-operate with the officers of the railroad internationals in their effort. It also has been endorsed by several farmer's organizations.

How does it propose to buy the roads?

By issuing government bonds with which to pay for the legitimate private interests in the railroad industry.

How does it propose to operate the roads?

By a board of fifteen directors, five named by the president, to represent the public; five elected by the operating officers; five elected by the classified employees.

Does this mean government operation?

No, it is operation by a board in which those having the responsibility have also the authority. It is superior to government operation because it prevents control by an inefficient bureaucracy; and is true democracy since it gives the men engaged in the industry a voice in its management.

What becomes of the surplus?

After operating expenses are paid, and fixed charges are met, including the interest on outstanding government securities, the surplus is divided equally between the government and the men. The employee's portion is to be divided between the managerial and classified employees, the former receiving double the rate received by the latter class. This is not a profit, since the corporation has no capital. What the men receive is a dividend on efficiency.

[1] Taken with permission from *The ABC of the Plumb Plan*, The Plumb Plan League (Washington, D.C.).

Is this a bonus system?

No, it is giving those who increase production a share of the results their increased effort has produced; and this share is theirs for as long as they are actually in the service, and is not forfeitable.

Why do operating officials receive the larger rate of dividend?

Because it serves as a greater stimulus to the group with the most responsibility. And since the operating officials would lose dividends if wages were increased it acts automatically to prevent collusion between labor directors and the operating directors to outvote the public's directors in raising wages beyond a reasonable level. The chief argument against the plan is that the public loses control of its own property, and that the men in charge cannot be prevented from combining to pay themselves extortionate wages. This method of sharing dividends sets up a natural barrier against collusion.

Is this the only protection for the public?

No, the rate-making power remains with the Interstate Commerce Commission, and if wages were raised so high that rates had to be increased, the Commission could refuse to change them, and shippers might appeal to the courts for redress. If the operation by the directors results in a deficit Congress can revoke their charter.

Does this difference in dividends create hostility between officials and men?

No, because without harmony between them neither group can earn dividends. An official in working for his own dividend is working for the dividend of his subordinates, for one cannot gain unless all gain.

Does a plan assure a decrease in rates?

It provides that when the government's share of the surplus is 5 per cent or more of the gross operating revenue, rates shall be reduced accordingly to absorb the amount the government receives. For instance: If the entire surplus one year is $500,000,000, and this is 10 per cent of the gross operating revenue, the government receives $250,000,000. And because this is 5 per cent, rates are decreased 5 per cent. See what follows. Without new economies or new business the profits the next year would be only $250,000,000, and the employees and the government would receive only half the amount of the year before. But decreased rates mean more business; and also, the reduction in dividends would stimulate the employees to improve their operation by applying better methods. So the tendency is to assure constantly decreasing rates, to add to the volume of business, and to give the most efficient service human ingenuity and devotion can provide.

Decreased rates mean cheaper commodities; and so, through the effectiveness of the railroads, the purchasing power of the money is increased, not only for the railroad man, but for every wage earner and every purchaser.

What does the government do with its share of the surplus?

It invests it in improvements and extensions, thus adding to the value of the railroads without adding to the fixed charges. It retires the outstanding bonds, thus reducing the fixed charges. Ultimately the public has its railroad service at cost.

Does the government pay for all extensions?

No, the community benefited must pay if it can; if it is able to pay all, the building of the extension is obligatory. If it only pays part, the government pays the remainder, but only makes the extension as it deems wise. And where the general public and not a local community would be benefited, the government pays the whole bill.

How are disputes between officials and men adjusted?

By boards, to which the operating officials elect five members and the men, five members. In case of failure to reach an adjustment, the case is appealed to the directors.

Who determines the rate of wages?

The board of directors.

Who supervises the purchase of the roads?

A Purchasing Board, composed of the Interstate Commerce Commission and three directors of the new government corporation, one director from each group.

Who decides the value of the private interest in the railroads?

The courts. It is a judicial question, and is to be answered only after an examination of the charters of the existing companies, the laws under which they are created, and the manner in which the company has lived up to its charter and these laws.

Will the public have to pay for watered stock?

No. The public will probably pay less than two-thirds of what the railroads claim as their value.

Are there other savings?

Yes, the public can obtain the money to purchase the lines at 4 per cent, whereas the public is now charged rates to guarantee the roads 6½ per cent on their money. The saving on the present capital

account of the railroads would be about $400,000,000, and on an honest valuation would be nearly twice this sum. The Plumb Plan provides for a sinking fund, and every year one of the fixed charges would be 1 per cent of the outstanding indebtedness, to be used in retiring the bonds. The government also uses its profit in retiring bonds, so eventually, probably in fifty years, the people would own the roads debt-free. A further saving would be in the operation of the roads as a unified system, which permits the interchange of equipment, the end of wasteful competition, and greater economy in buying supplies. Under this plan passenger rates of 1½ cents a mile and a reduction of freight rates by 40 per cent appear reasonable.

See also the material of chapter xxiii, Labor in Politics.

PROBLEMS

1. Distinguish between the terms conciliation, mediation, voluntary and compulsory arbitration.
2. Does compulsory arbitration make the use of conciliation impossible?
3. "Compulsory arbitration means that freedom of contract in industrial matters no longer exists." Comment.
4. "If compulsory arbitration is to succeed in preventing strikes, it must first of all create conditions under which strikes are unlikely to occur." (*a*) What, in the opinion of Mr. Hammond, are these conditions? (*b*) To what extent have they obtained in Australia? (*c*) Do you think that under the present organization of industrial society they can be made permanent?
5. "It seems questionable whether those parts of the laws which prohibit strikes, when no really effective mode of enforcing exists, are likely to persist." Comment.
6. What theories, if any, seem to underlie the Canadian Act? Disputes Investigation Act?
7. "A false step, reactionary, un-American" (Samuel Gompers). "The wisest and most successful legislation anywhere adopted" (Chas. W. Eliot). With which statement do you agree?
8. What is the method of procedure under the Canadian Act?
9. "The Canadian Act is obeyed not because employees fear imprisonment but because they do not wish to seem law-breakers." Comment.
10. What is the doctrine of public interest as expressed in the act creating the Kansas Court of Industrial Relations?
11. Is a court composed of three men appointed by the Governor necessarily representative of all the people? Why or why not? What might the worker think? What alternative form of tribunal could you suggest?

12. Under the Kansas Act can there be validly punished: (*a*) A concerted but peaceful walk-out of 11,800 out of 12,000 employees in protest against the imprisonment of one of their leaders for violation of an injunction? (*b*) A peaceful cessation of work by employees in an overall factory who are dissatisfied with an order fixing their wages? (*c*) The shutting-down of flour mills by the owners because operations if continued would cut down the customary margin of profit? (*d*) The closing of a particular flour mill by the owner because compliance with an order from the court will not enable him to earn as large a return on his capital as he can get by transferring the business to the state of Missouri? If valid to punish, how desirable?
13. What is meant by the remark that the worker gives up all when he gives up the right to strike? Is it true?
14. Do you agree with the principle of the Kansas Industrial Court that what constitutes a right and proper wage can be determined by a court? Why or why not?
15. Prior to the passing of the interstate commerce act of 1887 workers favored compulsory arbitration and railroad executives commonly were opposed to it. At the present time railroad executives rather commonly favor compulsory arbitration and the workers are opposed to it. How do you account for the complete change in attitudes which has occurred?
16. The history of the use of federal power in railway labor disputes may be divided into six stages marked by (*a*) the law of 1888, (*b*) the Erdman Act of 1898, (*c*) the Newlands Act of 1913, (*d*) the Adamson Law passed in 1916, (*e*) the period of war administration of railroads, and (*f*) the Transportation Act of 1920; Esch-Cummins Law. Trace the course of events leading up to each one of these stages.
17. In what sense does the Transportation Act of 1920 mark a departure in the means used to adjust labor disputes?
18. "Slowly Congress has assumed a position with regard to railway labor disputes which the logic of the situation demanded and from which the people will not allow it to recede." What is this position? Do you agree that it is in accord with the logic of the situation?
19. If you were a member of one of the "Big Four" Brotherhoods would you favor the settlement of labor disputes through the Railroad Labor Board or through direct negotiation? Would your answer be the same if you were a member of a barely existing maintenance-of-way group?
20. Describe the present United States Railway Labor Board in terms of (*a*) personnel, (*b*) methods of procedure, (*c*) sanctions.
21. Examine the plan for adjusting industrial disputes which was submitted by the Industrial Conference called by Woodrow Wilson. What are its outstanding provisions? Why does "the voluntary principle" dominate the whole?

22. Why should a grant of power to recommend legislation be given to the National Industrial Board which the plan sets up?
23. "Presumably the community is not only interested in correcting the abuses of the existing order of things and promoting industrial peace but it is interested in seeing that industry is conducted upon a basis that will bring the maximum of returns to all parties concerned. A study of community action should include a study of the possibilities of socialism, of communism, of syndicalism, and the many varieties of methods whereby men might work together." Discuss.
24. "Not least among the problems that face the community is the question of incentives to production." Do you agree? How would you proceed if you were to take up a study of incentives to production?
25. "Candid examination of the facts of industry may well reveal the need of a new economic commonwealth growing up and regulating itself apart from the political state." Do you see any evidence of the beginnings of an economic commonwealth in any part of modern industry?
26. "The possibilities of professionalizing work have not yet been appreciated." What causes work to become professionalized? Can the state assist in the process?
27. "The community is much concerned with industrial peace and with the thousand and one piece-meal bits of regulation but when it comes to questions which challenge the fundamentals of the existing order it refuses to think or act." Discuss.
28. "Building a Code of Law in the Clothing Industry." Discuss the validity of this title. If such agreements as exist in parts of the men's clothing industry were common to all industry would the necessity of state action exist?
29 To what extent are the interests of the public cared for by collective agreements between employers and employees? Are the interests of employers, employees, and the public the same?
30. "Certain problems of industrial life suggest that what is needed is complete reorganization of the fundamentals of modern industry." Discuss.

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